Nova Scotia Economic Review 1981

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DEVELOPMENT

Nova Scotia

Economic Analysis Section
Policy & Planning Division

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INTRODUCTION

THE NOVA SCOTIA ECONOMIC REVIEW 1981 is one of the series of review publications produced by the Economic Analysis Section of the Nova Scotia Department of Development, with the assistance and consultation of other Provincial Government Departments.

In the current **REVIEW**, the format and topic sectioning have been revised and coverage of the economic sectors has been widened. The intent of these changes is to provide government officials, businessmen and economic analysts with a readable, comprehensive, sector by sector understanding of the provincial economy in 1981 and its outlook for 1982.

Since this **REVIEW** was written in November and early December, all figures for the year 1981 are estimated, and subject to revision when year-end statistics become available. Figures for 1982 are forecasts.

Extensive use has been made of graphics to illustrate textual material visually and convey an indication of recent historic trends. Information for 1981 (or 1982) has been shaded in the chart to highlight its estimated (or forecasted) nature. The graphics were computer produced with the assistance of the Halifax office of I. P. Sharp Associates Limited.

In making estimates of statistical series for 1981 and various projections for 1982, a number of forecasts were consulted for predictions of either specific series or corroborating trends. Partial-year data for 1981 were also analyzed for an indication of trends during the year. Furthermore, various industry observers inside and outside government were consulted. Estimates resulting from such a process cannot readily be attributed to particular sources. However, it should be noted that the following forecasts were instrumental in arriving at estimates for 1981 or 1982; Quarterly Provincial Forecast and Quarterly Canadian Forecast by the Conference Board of Canada, The Wharton Quarterly Model Forecast (of the United States) by Wharton Econometric Forecasting Associates, Inc.; and the OECD Economic Outlook by the Organization for Economic Co-operation and Development.

Numerous sources were used in compiling the information contained in this **REVIEW**. In most instances, these sources are not specifically identified in the body of the report. Unless otherwise cited in the text, historical statistical data were supplied from Statistics Canada sources, with the exception of the following: economic conditions among OECD countries (Organization for Economic Cooperation and Development), economic conditions in the United States (U.S. Department of Labour and U.S. Department of Commerce), interest rates and Canadian dollar foreign exchange rate (Bank of Canada), real domestic product for 1977 to 1980 (Conference Board of Canada), fishery statistics (Fisheries and Oceans Canada), mineral licenses and leases (Nova Scotia Department of Mines and Energy), number of ferry passengers (Nova Scotia Department of Transportation), insurance premiums (Nova Scotia Superintendent of Insurance), tourists visiting Nova Scotia (Nova Scotia Department of Tourism).

We welcome any comments and suggestions concerning the material contained in this report or its style of presentation. Please address your remarks to Margaret Hambleton, Senior Economist, Economic Analysis Section, Nova Scotia Department of Development, P. O. Box 519, Halifax, Nova Scotia, B3J 2R7.

COMPARATIVE ECONOMIC CONDITIONS

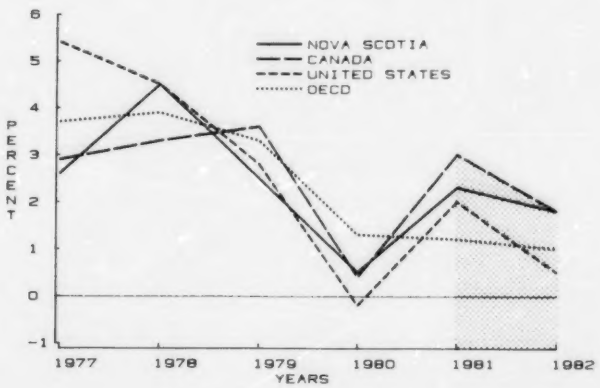
1981 Review

A Year Of Moderate To Slow Growth, Continued High Unemployment And Inflation

During 1981, most developed economies continued to experience moderate to slow growth, high unemployment, and persistent inflation. The major factors influencing economic performance were the lingering effects of rapidly rising world oil prices between 1977 and 1980, and the efforts of governments and central banks to curb inflation through dampened public spending and high interest rates. The posted world price of oil increased by 138% between 1977 and 1980 (and is scheduled to rise another 6.2% to $34 U.S. per barrel by the end of 1981). Interest rates were generally higher during 1981; for example, the monthly average prime rate in the United States was at or above 20% in January and again in May through August.

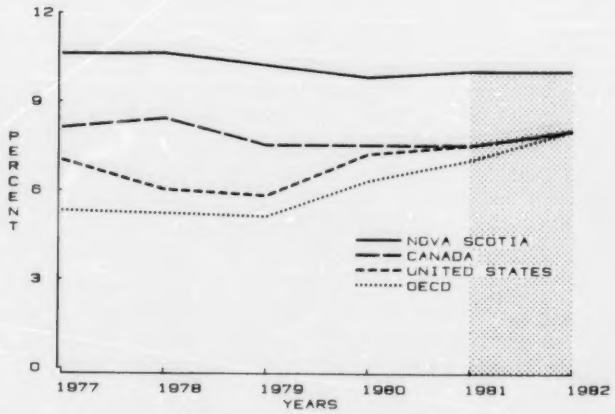
Many developed economies experienced modest to good growth in the first quarter in 1981, following relatively poor growth performances in 1980. By mid-year, economic growth appeared to have lost most, if not all, of its momentum. Based on the first three quarters of 1981, the following picture emerges regarding growth, unemployment and inflation for the year in Nova Scotia, Canada, United States and OECD countries.

ECONOMIC GROWTH
(PERCENT CHANGE IN RDP)



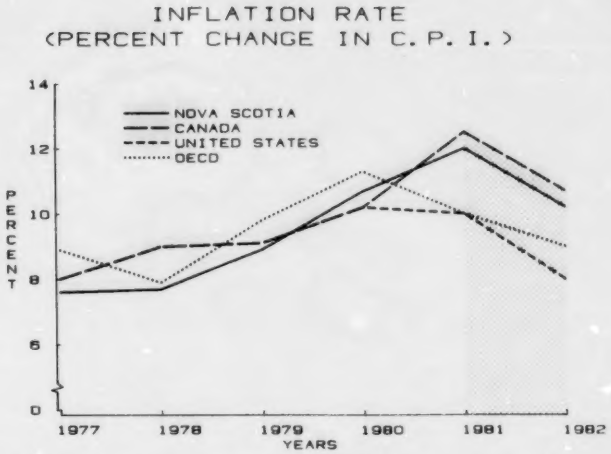
Although Nova Scotia's gross domestic product (at factor cost) is expected to grow by about 12% in 1981 to $7.2 billion, nearly all of this increase is due to inflation. After adjusting for price increases, the growth in provincial real domestic product should be in the range of 2.3%, somewhat below the 3.0% growth rate in Canada. If it were not for curtailed output of coal due to the strike at DEVCO, growth for Nova Scotia would match that for Canada. Economic activity in the United States should grow by no more than 2%, while real growth in major OECD countries[1] is seen as ranging from 3.5% in Japan to a decline of 1.5% in Germany and the United Kingdom. Average growth in OECD countries should be about 1.2%.

UNEMPLOYMENT RATE



Average monthly unemployment for Nova Scotia in 1981 will be about the same as

in 1980, although the number of unemployed has increased significantly since mid-year. The provincial unemployment rate for 1981 will be approximately 10%, up marginally from 9.8% in 1980. The Canadian unemployment rate is expected to be unchanged from 1980, averaging about 7.5%. The unemployment rate in the United States will likely increase slightly to near 7.5%. For all OECD countries, the average unemployment rate is expected to increase to 7% from 6.3% in 1980. Unemployment rates in major OECD countries will likely range from 10.5% in the United Kingdom to 2.2% in Japan.



In Nova Scotia, the consumer price index advanced at even a more rapid pace than the 10.7% rise in 1980, and is heading for a 12.0% increase this year. Throughout Canada, inflation worsened, with at least a 12.6% increase in consumer prices anticipated. In contrast, inflation moderated elsewhere compared with 1980. Price increases in the United States and the average in OECD countries are expected to be about 10%. Of the major OECD countries, inflation will likely range from 5.5% in Japan and Germany to 20.5% in Italy.

1982 Outlook

Slow Economic Growth, Depending On Lower Interest Rates And Economic Performance In The United States; No Reduction In Unemployment Rates; Some Easing Of Inflation

Early forecasts for economic activity in 1982 (which were based on fairly strong economic performance during the first half of 1981) predicted 2.7% growth in Nova Scotia, 2.8% in Canada and the United States, and 2% for the average of OECD countries. Towards the end of 1981, earlier forecasts are generally being revised downward in light of slowing or negative growth in many jurisdictions during the second half of 1981. A more realistic outlook for 1982 is for economic growth in Nova Scotia to be about 1.8% (with about one half percentage point of this due to post-strike recovery of coal output), with growth also 1.8% in Canada, 0.5% in the United States, and 1% on average for OECD countries. This more pessimistic outlook could be reversed if interest rates decline sufficiently to release pent-up demand for business and residential investment. Recently, the Federal Reserve Board has allowed interest rates to fall in the United States, mainly because of signs of recession there. Subsequently, there have also been interest rate decreases in Canada and elsewhere.

A major question for 1982 is whether or not the United States income tax reductions and budget cuts which took place in October will have a net depressive or stimulative effect. Compounding this uncertainty is that further budget cuts (which have an economic depressing effect) are being contemplated, since the faltering economy has, to date, resulted in an unacceptable increase in the federal deficit. Economic events in the United States are of considerable importance to Canada and other countries, given the large United States market

(about one-third of all OECD countries) and the pervasive impact of United States interest rates on foreign exchange markets and interest rates elsewhere.

The unemployment outlook for 1982 in Nova Scotia is for an unchanged unemployment rate at almost 10%. The unemployment rate is expected to increase to about 8% in Canada, United States, and for the average of OECD countries. This outlook is predicated on the forecasts for growth (above). If lesser growth occurs within a region, unemployment rates there will be higher, and vice versa.

Forecasts for inflation envision little relief for Nova Scotia and Canada, since consumer prices are anticipated to rise by 10% or more. Inflation in the United States is forecast to drop to around 8%, while the average for all OECD countries is predicted to decline to about 9%.

1 OECD (Organization for Economic Cooperation and Development) countries: major - U.S.A., Japan, Germany, France, United Kingdom, Italy, Canada; other - Belgium, Denmark, Ireland, Luxembourg, the Netherlands, Austria, Finland, Greece, Iceland, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, Australia and New Zealand.

POPULATION

1981 Review

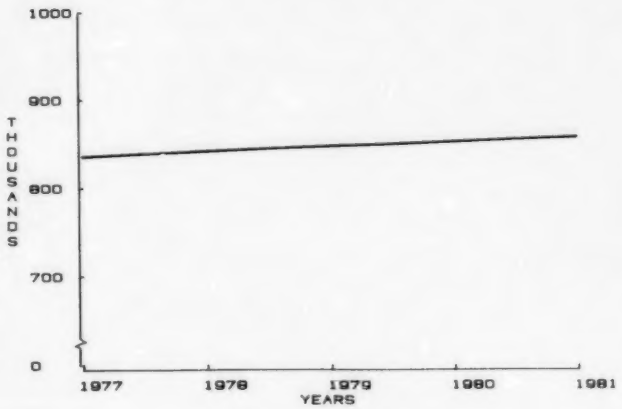
Modest Population Growth And Slight Net Out-Migration

The Province's population was an estimated 858,000 on July 1, 1981, an increase of 4,700 or 0.5% over 1980.

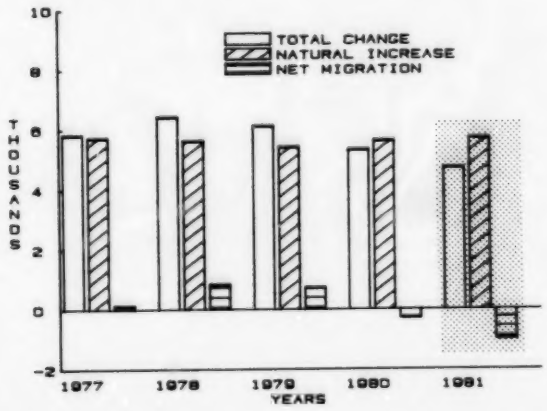
Annual net out-migration was estimated at 1,000 for 1981.

Nova Scotia's population is aging. The percentage in the young,dependent age group has fallen considerably in recent years, while shares in other age groups have generally risen, notably in the 20-44 age group. Although the population is aging, the dependency ratio (dependent-age population to working-age population) has decreased.

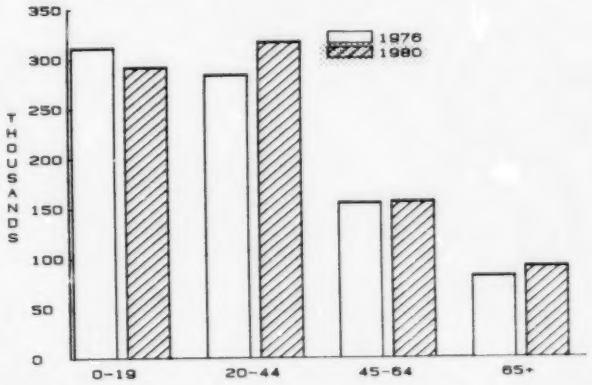
TOTAL POPULATION



COMPONENTS OF POPULATION CHANGE



AGE DISTRIBUTION
1976 AND 1980 (JUNE1)



1982 Outlook

Population Growth Unchanged, With Reduction In Out-Migration

The population will continue to grow, increasing at much the same rate. A smaller net out-migratory flow is anticipated in 1982.

Overall, the Province's population will likely grow to an estimated 863,000 by mid-1982.

LABOUR MARKET

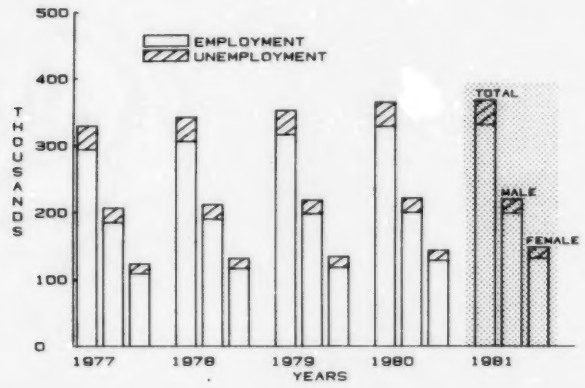
1981 Review

Trends In Labour Market Conditions Consistent With Recent Years, But At Slower Pace[2]

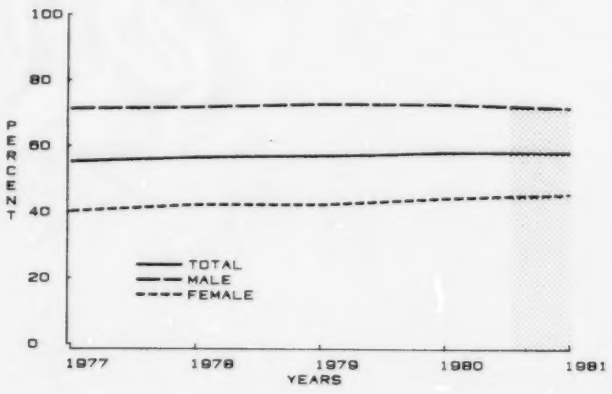
Labour Force

Average monthly labour market information for January through October indicates moderate labour force growth during 1981, with average labour force for the 10 months at 368,000, about 5,000 more than during the same period a year ago. While the average monthly male labour force changed only slightly, decreasing by 1,000, to 220,000, the female labour force increased by 6,000 to 148,000. The major factor in this increase is higher female labour force participation, averaging 45.3%, or 1.3 percentage points higher than in January through October of 1980. In terms of age group, the average monthly labour force for individuals under age 25 years decreased by 1,000, for the first 10 months of 1981, to 103,000. In contrast, for individuals age 25 and over there was an increase of 6,000, to 265,000. Average monthly labour force figures for the full year, 1981, are not likely to vary from these 10-month figures.

LABOUR FORCE
EMPLOYMENT AND UNEMPLOYMENT BY SEX



LABOUR FORCE PARTICIPATION RATE
BY SEX



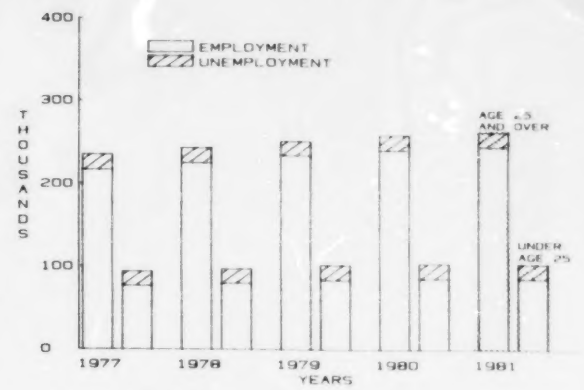
Employment and Unemployment

For January through October, average monthly employment was 331,000, about 3,000 higher than in the same period in 1980. Although average employment of men declined by 2,000, to 199,000, employment of women increased by 5,000 to near 132,000. Almost all the rise in employment of women was concentrated in part-time work. Employment among individuals under age 25 declined by 1,000, averaging 86,000 for January through October, but average monthly employment of workers age 25 and over grew by 4,000 to 245,000.

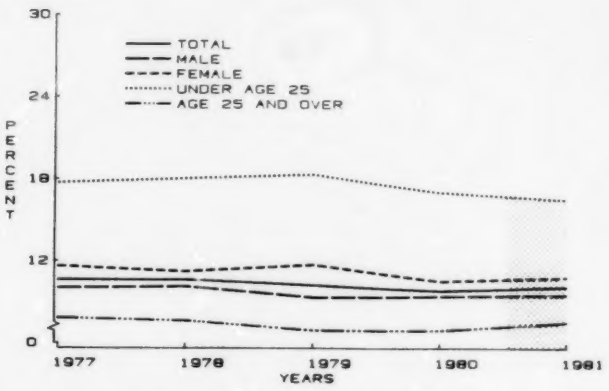
The various changes in labour force and employment altered unemployment rates. For the entire labour force, average monthly unemployment from January through October was 37,000, between 1,000 and 2,000 higher than during the same period last year. The overall average unemployment rate was 10.1%, slightly higher than the 9.8% rate during the same period in 1980. The average unemployment rate for both men and women increased by 0.2 percentage points, to 9.6% and 11.0% respectively. Also compared to the first 10 months last year, the average unemployment rate for individuals under age 25 decreased to 16.5% from 17.3%, while the average unemployment rate for those age 25 and over increased to 7.5% from 6.9%.

As with labour force information, the average monthly employment, unemployment, and unemployment rate for 1981 should approximately equal the average figures through to October.

LABOUR FORCE
EMPLOYMENT AND UNEMPLOYMENT BY AGE



UNEMPLOYMENT RATES
BY AGE AND SEX



1982 Outlook

Poor Labour Market Performance In The Second Half Of 1981 Should Lead To Lower Labour Force And Employment Growth

Under present conditions the labour market outlook for 1982 is very uncertain. Although there were strong increases in labour force and employment in the first months of 1981, these advances leveled off in June and July with respect to the same months a year earlier. As of October, both labour force and employment were unchanged from last year. However, there has been a shift in employment by industry. In particular, employment declined in the goods producing sectors (primary industries, manufacturing, and construction), down in October by 9,000 compared to a year ago, with a corresponding gain among the service producing sectors.

Moderate growth in the labour force of about 4,000 can be expected in 1982 due to the long-term trend toward increased labour force participation among women. Depending on the strength of growth in the economy (presently expected to be about 1.8%), there should also be some advance in employment, in the range of 3,000 to 4,000 jobs. On balance, however, a tentative conclusion is that the unemployment rate in 1982 will remain in the 10% range.

2 The discussion of Review and Outlook follows Statistics Canada Labour Force Survey convention by excluding the labour force and employment of military personnel, estimated to be approximately 13,000 in Nova Scotia for 1980 and 1981.

PRICES AND INCOMES

1981 Review

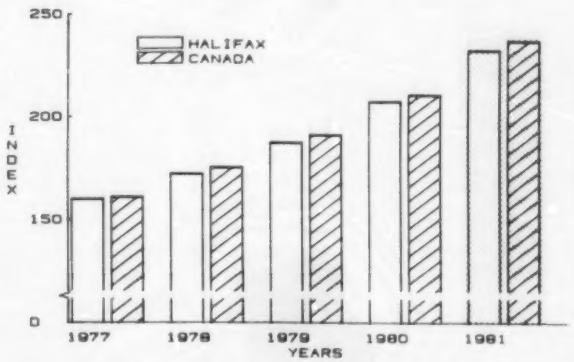
Acceleration Of Consumer Prices Slightly Higher Than Gain In Income Per Capita

Prices

Consumer prices continued to rise sharply during 1981, as the Halifax consumer price index average for the year to date (January to October) increased by 12.0% over the corresponding average for 1980. This increase was slightly lower than the 12.6% rise recorded for Canada as a whole.

The all-items consumer price index average for the year to October stood at 230.1, and is likely to increase to 232.4 by the end of the year, a rise of 12.0% over 1980. (The index is calculated on the basis of 1971 = 100.0.)

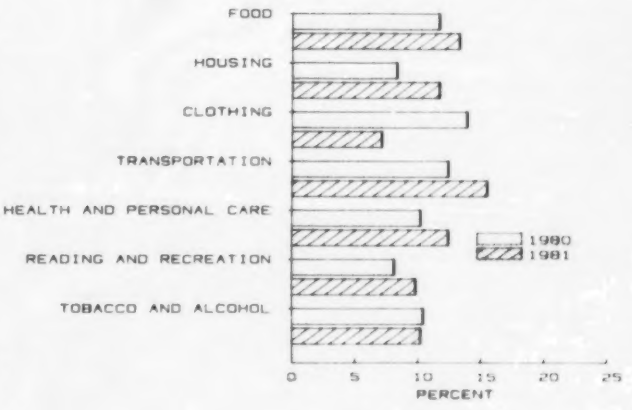
CONSUMER PRICE INDEX
HALIFAX AND CANADA
ALL ITEMS (1971=100.0)



Highest price increases to date were recorded in the major components of transportation (15.5%), food (13.3%), and health and personal care (12.4%). The clothing component showed the least upward trend at 7.1%.

Price increases in Nova Scotia have generally reflected the inflationary environment in Canada. Since the country has an open economy, national manufacturing and commodity costs are strongly influenced by import prices and the prices which can be obtained for Canadian exports. Specifically, the average Canadian import price index for January to July rose 11.6% (to 292.7) over the corresponding period in 1980, whereas the export price index increased only 7.5% (to 309.9). It appears that very little change will take place in these indices by the end of the year 1981.

PRICE CHANGE BY COMPONENT
FOR HALIFAX 1980 AND 1981



Incomes

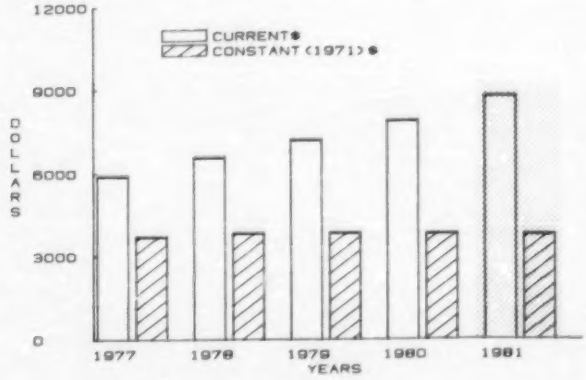
Based on a November prediction, total personal income in Nova Scotia is estimated to

rise by 11.8% in 1981, up from $6.7 billion in 1980 to $7.5 billion. However, because of an expanding population base, the growth in personal income per capita will be slightly lower at 11.2%. Personal income per capita is expected to be $8,727, up from $7,845 in 1980. After taking account of inflation, real personal income per capita (expressed in 1971 dollars) should decrease slightly by 0.7% in 1981. Latest (1980) information on the composition of total personal income by source reflects a relatively stable distribution over the last few years, with the major portion of income (63.1%) accounted for by wages and salaries.

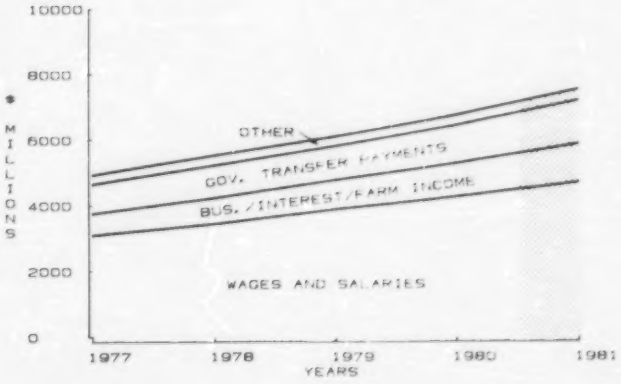
In terms of a national comparison, personal income per capita is estimated to be 77.7% of the Canadian average in 1981, down somewhat over the previous year (79.7%).

Average weekly wages and salaries continue to climb, with an 11.5% increase in the January to July average, from $262.42 in 1980 to $292.62 in 1981, approaching the rate of inflation. This is in marked contrast to the situation in 1980, when the increase in average weekly wages and salaries dropped more than two percentage points below the rate of inflation. Based on figures available to date, the annual average weekly wages and salaries for 1981 should be close to $297.00.

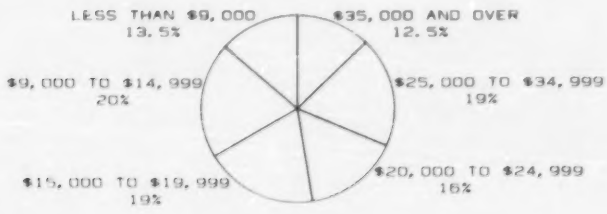
PERSONAL INCOME PER CAPITA
CURRENT AND CONSTANT (1971) DOLLARS



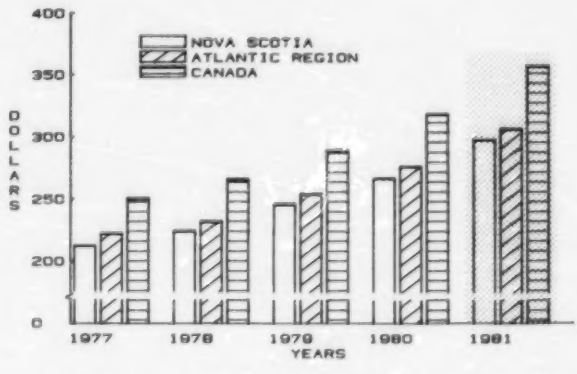
TOTAL PERSONAL INCOME
BY MAJOR SOURCE



DISTRIBUTION OF FAMILIES
BY INCOME LEVEL - 1980



AVERAGE WEEKLY WAGES AND SALARIES
NOVA SCOTIA ATLANTIC REGION
AND CANADA



Weekly wages and salaries in the Atlantic Region as a whole are increasing at a slightly slower rate of 10.9% (from January to July), whereas the Canadian average shows a faster increase of 11.9%.

Most recent estimates (1980) indicate that 13.5% of Nova Scotian families had incomes of less than $9,000 per year, but 12.5% had annual incomes of $35,000 and over. This compares with the national percentages of 11% and 24%.

1982 Outlook

Some Slackening In Upward Trend Of Consumer Prices Coupled With Higher Income Gain Should Lead To Moderate Gain In Real Income Per Capita

The outlook is for some reduction in the rate of inflation. The consumer price index for Halifax is forecast to rise by 10.0% to 255.6% in 1982, showing a slight reduction from the 1981 growth rate. Transportation, food and housing will probably be the areas to show the greatest price increases.

Personal incomes are projected to continue their recent climb, as indicated by several wage settlements. Total personal income is predicted to increase by 13.3% to $8.5 billion in 1982, a somewhat higher rate than in 1981. Personal income per capita is expected to reach $9,839, a rise of 12.7% over 1981.

The combination of a further increase in the current dollar value of personal income and a slightly lower advance in prices should lead to a 2.5% rise in the real value of personal income per capita, which has recently been showing very little, if any, change from year to year.

EXPORTS

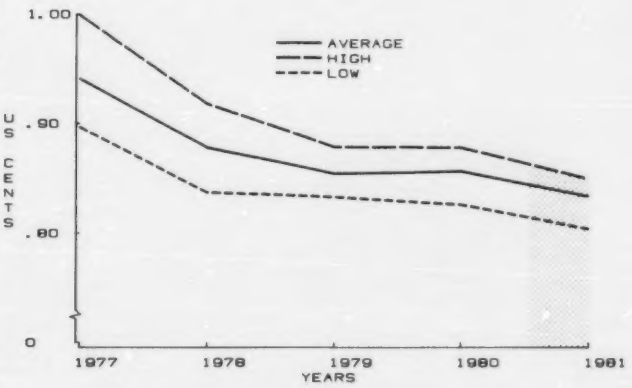
1981 Review

Exports Up Substantially, Led By Fish And Fish Products, Non-Metallic Minerals And Transportation Equipment

The value of Nova Scotia's commodity exports to international markets amounted to $607.8 million for the first two quarters of 1981, 14.9% higher than in the same period of 1980. After adjusting for the increase in prices, exports were up 7.4% in real terms.

Nova Scotia's exports maintained competitiveness due to the generally low value of the Canadian dollar in relation to foreign currencies. Through to June 1981, the Canadian dollar traded at 83.6¢ U.S. on average, down from the 1980 average of 85.7¢ for the same period. However, the Canadian dollar appreciated with respect to other leading currencies, rising, for example, 22% against the German mark, and 9% against the British pound. The fall in the Canadian dollar against the U.S. dollar is especially significant for Nova Scotia, since the Province's export trade depends heavily on the U.S. market.

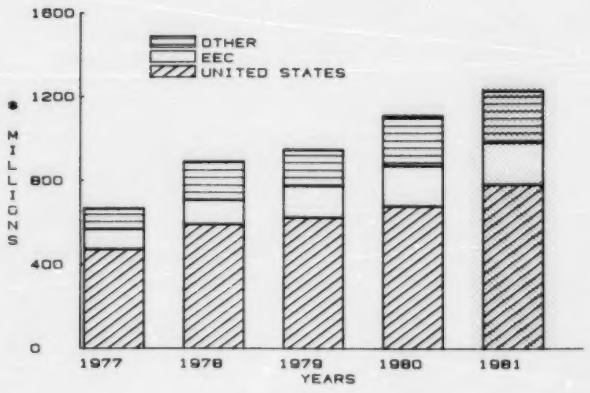
CANADA – U. S.
FOREIGN EXCHANGE RATE



Exports to the United States were $386.5 million, to June 1981, up 17.5% from $328.7 million in the first half of 1980. Exports to the American market accounted for 64% of total exports from the Province. The European Economic Community (including the United Kingdom) took 16% of the Province's exports, at $94.1 million. This was a small increase of 2.6% in export values over 1980. These comparative increases in exports to the United States and the Common Market are consistent with changes in relative foreign exchange rates.

The following pie chart shows the percentage distribution of the value of exports for the first two quarters of 1981, by commodity category. The following discussion compares the export performance of the first two quarters for 1980 and 1981.

VALUE OF EXPORTS
BY MAJOR DESTINATION



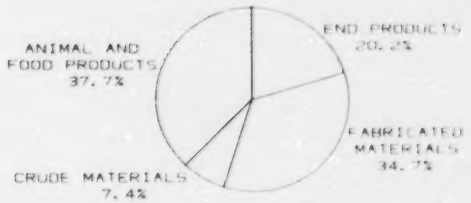
Export of animals, food and food products (the largest group), were up 24% over 1980, from $184.6 million to $229.4 million. Fish and fish products increased 20% to $202.1 million. Although small by comparison, the value of fruit and fruit product exports was up 70% to $7.8 million.

Raw materials recorded a substantial increase of 62% to $44.7 million. Non-metallic minerals accounted for the large share of this growth, rising from $20.2 million to $34.4 million, all this increase being attributable to coal. Pulpwood exports more than doubled to $3.8 million. Shipments of lead and zinc concentrates showed a combined increase of 46% to $3.3 million. All of the gain in metallic mineral exports will be lost in 1982, however, owing to the closure of the only two base metal mines in the Province.

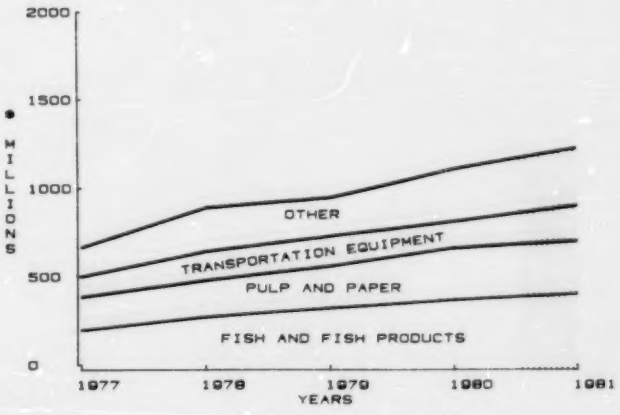
Semi-finished goods was the only broad commodity category to show a decline. The value of exports fell 4% to $211.1 million. Within this group, however, paper and paperboard experienced a 5% increase over 1980, reaching $71.0 million.

Exports of finished goods were up 25%, rising to $122.6 million. Most of the increase was due to growth in sales of transportation equipment. This product category consists mainly of exports of tires.

COMPOSITION OF EXPORTS
BY TYPE
JANUARY TO JUNE 1981



VALUE OF EXPORTS



Three leading commodity groups traditionally comprise the bulk of Nova Scotia's export trade: fish and fish products; pulp and paper; and transportation equipment. For the full year 1981, these together are expected to account for 75% of the value of commodity exports. Three quarters of these leading commodity exports will be shipped to the United States.

The downturn in the United States economy should moderate growth in exports in the second half of 1981. This should result in an anticipated $1.2 billion in exports for the year, an increase of 10% over 1980.

1982 Outlook

Growth In Exports To Moderate

Short-term performance of Nova Scotia's export trade depends on external economic conditions. Since economic forecasts for 1982 point to a recession in the United States and slow growth elsewhere in the western world, the Province's export trade for the coming year can, at best, be expected to keep pace with the rate of increase in export prices. As 1981 drew to a close, the Canadian dollar moved up towards 85¢ against the U.S. dollar. If this exchange rate is maintained, on average, in 1982, growth in the Province's exports can be expected to moderate further.

SECTOR OVERVIEW

1981 Review

Aggregate Real Domestic Product Should Increase By 2.3%; Employment Expected To Rise By 1.3%

The primary measures of economic activity in industrial sectors are real domestic product (RDP) and employment. Estimates of Nova Scotia RDP by sector for 1977 to 1980 are from the Conference Board of Canada; estimates for 1981 (and 1982 aggregate forecast) are compiled by the Nova Scotia Department of Development. The RDP figure reflects the value added (or economic activity) in each sector in constant 1971 dollars. Using a 1971 base year removes the effect of inflation in measuring output, though when compared to current dollar figures, RDP seems low. For 1981, Nova Scotia gross domestic product is anticipated to be approximately $7.2 billion, however RDP (in constant 1971 dollars) is expected to be $3.0 billion. Although gross domestic product for the year should grow by about 12%, nearly all of this increase will be due to inflation; growth in total RDP should be 2.3%.

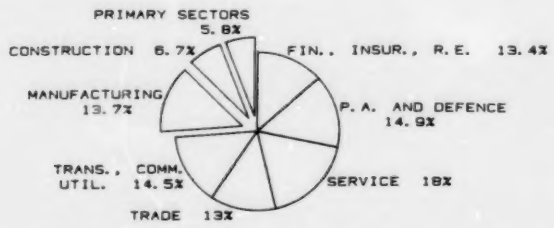
Employment information by sector is mainly from the Statistics Canada Labour Force Survey, with 1981 detailed annual and 1982 aggregate forecast of these statistics estimated by the Nova Scotia Department of Development. The employment figure measures the number of job holders and self-employed, and is on an average annual basis. Both full-time and part-time work are counted equally as employment. During 1981, employment in Nova Scotia should average 344,000 (including military personnel), 1.3% higher than 1980.

RDP and employment are distributed into 11 industrial sector divisions as defined by the Standard Industrial Classification of Statistics Canada. Each sector is defined without overlap; however, some closely linked activities are in different sectors. This is most apparent in the fishing and forestry sectors, where the closely allied (and in Nova Scotia substantial) fish processing, pulp and paper and wood products activities are all included in the manufacturing sector. There is also an allocation of government RDP and employment to various sectors where functionally warranted. For example, operation of the Post Office is included in communications, and health care and education are part of community, business and personal services.

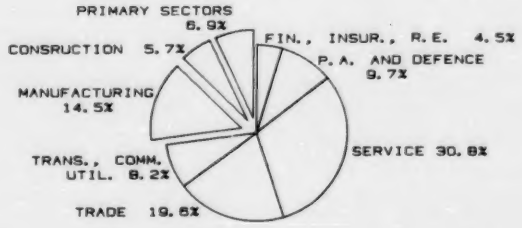
The largest share of economic activity occurs in the service producing sectors (transportation, communication, and utilities; trade; finance, insurance and real estate; community, business and personal services; and public administration and defence) which should continue to account for about 74% of the Nova Scotia RDP and employment in 1981.

Secondary producing sectors (construction and manufacturing) should comprise approximately 20% RDP and employment, while primary industries (agriculture, fishing, forestry and mining) RDP and employment should be in the range of 6%.

DISTRIBUTION OF ESTIMATED
REAL DOMESTIC PRODUCT BY SECTOR - 1981



DISTRIBUTION OF ESTIMATED
EMPLOYMENT BY SECTOR - 1981



1982 Outlook

Slow Total Growth In RDP And Employment, With Most Gains In Mining And Service Producing Sectors

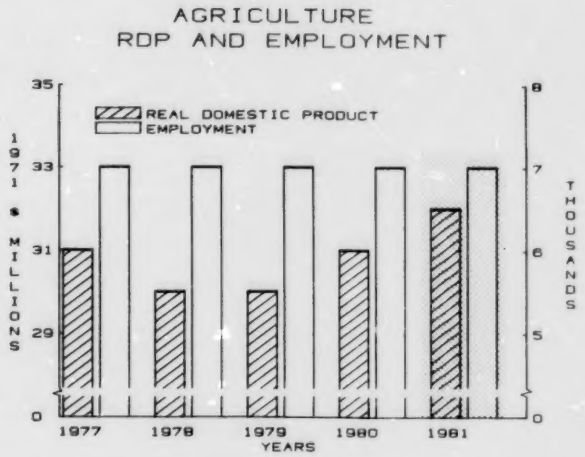
In 1982, RDP for the Province is predicted to increase by 1.8%, with employment (including military personnel) rising by about 1%. Growth in economic activity is expected to be concentrated in mining and among the service producing sectors, except transportation, communication and utilities.

AGRICULTURE

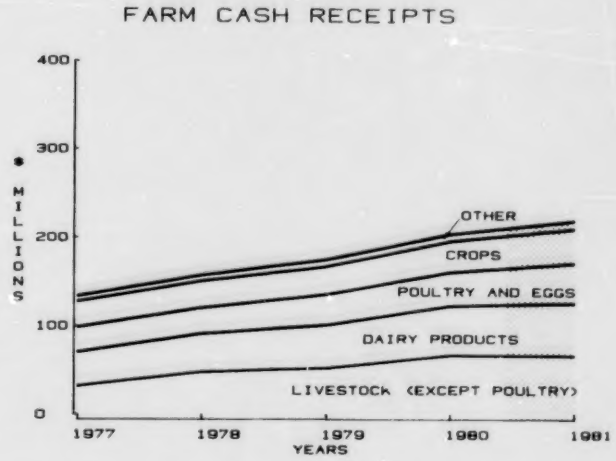
1981 Review

Overall Real Domestic Product Increases Slightly, And Employment Remains Constant; Production Stays Level But Product Prices Higher And Input Costs Higher Still

The overall performance of agriculture in 1981 is expected to show very little change from 1980. Estimated real domestic product is expected to increase by 3% to $32 million and average employment to remain unchanged at 7,000. Agricultural employment is composed of approximately 40% farmers and family members and 60% paid workers.



Farm cash receipts from January to August 1981 showed an increase of 9.4% over the same period in 1980. However, most of this increase was accounted for by a rise in farm product prices of 8.5% for the year to August. Receipts for the full year of 1981 are anticipated to increase by 7.6% over 1980 to a total of $219 million.



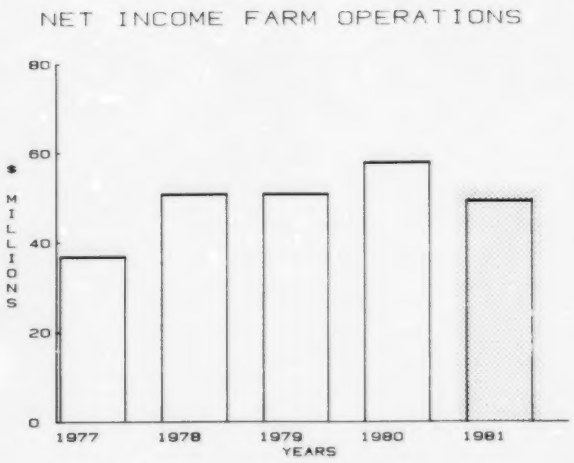
Livestock and livestock products (excluding poultry), which account for about 30% of total farm cash receipts, should remain close to last year's value of $66 million. Pork production continued to increase, with a 12.5% rise in marketings to November, largely as a result of previously planned expansion. Hog prices improved over 1980 levels, whereas cattle prices remained about the same and sheep and lamb prices should average 8% to 9% below 1980. Cattle marketings are expected to remain close to last year's level.

Dairy products, which provide over one-quarter of total farm cash receipts, are expected to increase by about 7% in value to $60 million for the year. Almost all this increase is due to rising prices, since the quantity of production will be very similar to 1980. Fluid milk production is marginally greater than provincial consumption.

Poultry and eggs, representing almost 20% of total receipts, are expected to rise in value

by about 18% to $45 million for 1981. Again, most of the increase was due to price changes, since poultry sales remained substantially at 1980 levels and egg production rose only about 2% in the first seven months.

Crops, which accounted for 18% of total receipts, are projected to increase by 11% in value over 1980 to $39 million. In fruit crops , a record 5.8 million kilograms of blueberries were harvested, while the strawberry crop was just below last year's record level. While the level of the apple crop is still somewhat uncertain, it could reach last year's level of 47 million kilograms, considerably higher than earlier projections. Apple markets are stronger than last year due to a severe reduction in the Quebec crop, and juice prices are especially favourable. Vegetable acreages were increased, except for processing beans and peas and potatoes, where acreage remained stable. The 1981 grain and hay crops were very large compared with previous years, and other minor crops experienced larger harvests.



Net farm income of farm operators is forecast to drop by 15% to $49 million in 1981. This downturn is a result of costs of farm operation increasing at a more rapid rate than output prices, with production on the average remaining about the same level or marginally higher.

1982 Outlook

Continuation Of 1981 Trend For Input Cost Increases To Exceed Product Price Changes; Much Depends On Beef Situation And Weather

Farm cash receipts are forecast to increase by approximately 7% to $234 million in 1982, with total livestock and dairy products expected to account for almost 80% of this output value. The accuracy of this prediction will depend to some extent on beef prices, which in turn depend on the outlook for the economy in general. The projections for crops are also, of course, dependent to a great extent on the weather in 1982. Most categories of farm expenses are projected to continue their upward rise in 1982.

FORESTRY

1981 Review

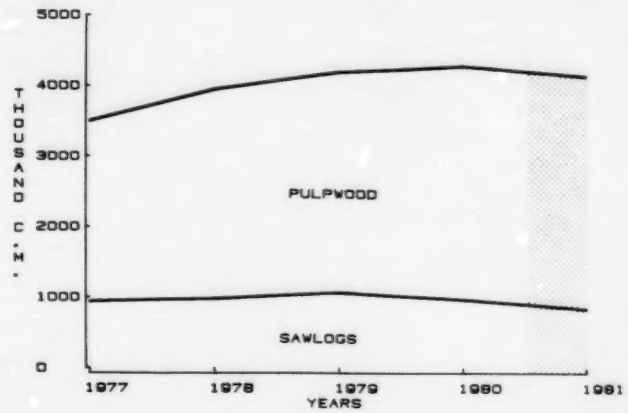
Forest Harvest Modestly Below 1980 Levels, Employment Stable

Forestry real domestic product is expected to decline slightly, to about $14 million[3] in 1981, with the level of employment continuing at approximately 5,000.

The forestry sector includes logging operations, log transportation, forestry patrol, nursery and reforestation services. Not included are the related pulp, paper and lumber operations. These forest-based industries are classified as manufacturing, and contributed $400 million in value of sales to that sector in 1980.

FORESTRY
RDP AND EMPLOYMENT

QUANTITY OF FOREST PRODUCTS



According to Statistics Canada information, the harvest of pulpwood for domestic consumption to August was 3.4% lower than for the same period in 1980. The pulpwood harvest for 1981 is expected almost to match the 1980 record level of 3.3 million (solid wood) cubic metres. With most pulp and paper mills in the Province continuing to operate at or near capacity, demand for pulpwood was sustained at a high level.

Sawlog harvest is expected to decline by about 12% in 1981, to approximately 830,000 cubic metres. The reason for the decline is decreased lumber demand, reflecting lower housing construction in North America. In Nova Scotia, lumber production to August was 1.8% below that recorded in the same period a year ago. However, with high inventories of lumber at mill yards, many independent sawmills are expected to close for the season by the end of November, about a month earlier than usual. This will curtail the demand for sawlogs.

Use of wood as a heating fuel has expanded as an additional market for forest output. While the extent of wood used for home and industrial heating is not known, it is a significant seasonal competitor for utilization of existing hardwood supplies.

Salvage of spruce budworm-killed stands continued in 1981. As in past years (since 1979), approximately 0.3 million cubic metres of salvaged pulpwood will be harvested in Cape Breton and placed in storage. The biological spray program was extended to 31,000 hectares (mainly on Cape Breton and in Cumberland County), for an increase of 5,300 hectares over 1980.

1982 Outlook

Demand For Forest Products Is Expected To Decline; Large Supply Of Salvaged Pulpwood Will Further Decrease Need For Current Harvest. Spruce Budworm Salvage Operations May Be Reduced

The major determinant of forestry sector activity is the demand created by pulp and paper mills in the Province. While newsprint operations are expected to remain at full capacity during 1982, a decrease in production of pulp and paper for consumer products is anticipated for at least part of the year. Even though demand for pulp-based construction materials and lumber products remains low, it is not likely to decline further.

Wood salvaged in the 1979 spruce budworm program is scheduled to be released into production during 1982, and this may reduce the volume of pulpwood harvest by approximately 5%.

With recent encouraging reports concerning a decline of spruce budworm infestations in the Province, activities related to salvage and spray operations may be decreased. Unfortunately, much of the decline in insect infestation may be due to the large-scale destruction of its habitat, especially the Cape Breton softwood forest.

3 Although it is generally accepted that forestry RDP declined in 1981, officials with the Nova Scotia Department of Lands & Forests indicate that the level of forestry RDP has been understated. They note, in particular, that the RDP estimates in recent years have not reflected the expansion of forest management activities and nursery operations.

FISHING

1981 Review

Increased Volume And Value Of Catch, Despite Weakness In Fish Prices For Some Species

Fishing real domestic product is expected to increase by 9% in 1981, to $60 million, with fishing sector employment to remain stable at about 5,000. The number of registered fishermen, full and part-time, is approximately 11,000, unchanged from 1980.

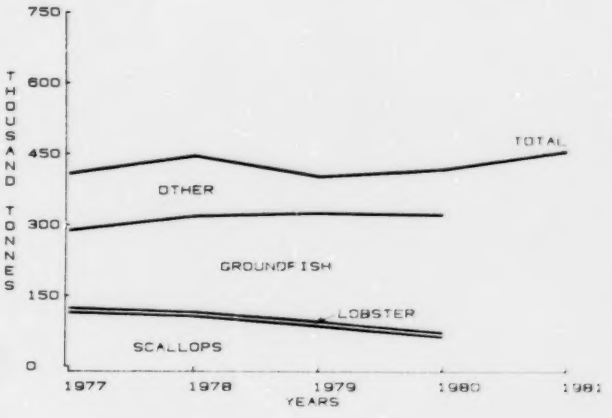
The importance of fishing to the provincial economy is much greater than indicated by fishing sector statistics, which do not include activity in the fish processing industry. Fish processing is defined as part of the manufacturing sector. During 1980, the value of manufacturing shipments by Nova Scotia fish processors was over $400 million.

From the perspective of volume of fish landings, 1981 will be a good year. Fish stocks are relatively abundant and preliminary information on volume of landings by Nova Scotia fishermen indicates a total catch to September of 337,000 tonnes (metric tons), an increase of 13.8% over the same period in 1980. Total catch for the year should be near 460,000 tonnes, an increase of over 10% from 1980. To September, the 1981 volume of groundfish at 194,300 tonnes was up by 3.9%, with major species cod up by 6.5% and haddock up by 15.5%. Landings of pelagic and estuarial fish to September were 45.0% higher than last year, at 73,600 tonnes, mainly because of a 59.2% increase in herring catch, accounting for over 80% of the volume within this major group. Total volume for the mollusc and crustacean varieties to September was 69,179 tonnes, an increase of 18.3% over a year ago. Underpinning this increase were higher scallop landings, up 23.3%, and increased lobster catch, up 17.5%.

Although there are notable exceptions, fish prices for the year to September were generally higher, increasing on average by 6.8% over a year ago. For example, prices were up for the major species of cod (+65%), scallops (+20.8%), and lobster (+8.7%). However, a substantial decline in prices was recorded for haddock (-7.7%) and herring

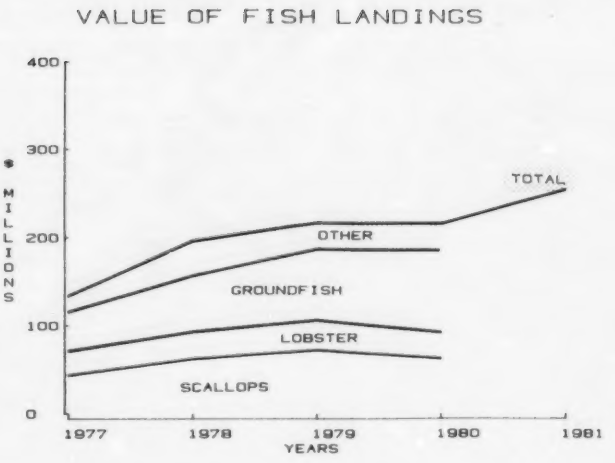
FISHING
RDP AND EMPLOYMENT

QUANTITY OF FISH LANDINGS



(-35.7%). Further, it is reported that prices tended to be depressed for fish destined for processing in frozen blocks.

Large volumes in combination with higher average prices have resulted in a 21.4% increase in the value of fish landings for the first nine months, at $186 million. Value of catch for 1981 is anticipated to be approximately $255 million, about 19% higher than in 1980. The values of landings to September, by major group, are up 10.6% for groundfish, down by 9.2% for pelagic and estuarial fish, and up by 38.2% for molluscs and crustaceans. Although they are relatively minor in terms of volume (about 20% of total), molluscs and crustaceans (mainly lobsters and scallops) comprise approximately one-half of the value of fish landings.



During the summer and the fall, Nova Scotia-based trawlers were reported to be tied up at various times due to filled quotas or high inventories and depressed markets. This has continued the conflict over allocation of quotas between various sectors of the Atlantic coast fishery. Furthermore, rising costs, particularly for fuel, have lowered the profitability of most fishing operations.

Market prices during 1981 tended to be depressed for many wholesale fish products, especially herring and frozen groundfish. As a result, some fishing companies are encountering financial difficulties. Many segments of the fishing industry, however, remain profitable, including saltfish, scallops and lobsters.

1982 Outlook

Fish Stocks Generally Plentiful, Prices Depend On Export Conditions

The prospect is for continued abundance of fish stocks in 1982; and there is more than adequate fleet capacity to catch quotas of traditional species . Since over 90% of Nova Scotia's fish and fish products are exported to other countries (with the major portion going to the United States) the strength of the market for fish in 1982 will depend on the Canadian dollar foreign exchange rate, price of other sources of animal protein, economic conditions elsewhere, and non-tariff trade barriers. Federal government standards on the quality of processed fish are to be raised in 1982. While this will put pressure on processors and fishermen to raise quality standards, it should ultimately enhance the marketability of Nova Scotia fish products.

MINING

1981 Review

Moderate Growth In Mining On The Strength Of Offshore Exploration; Employment Essentially Unchanged

Mining real domestic product in 1981 is expected to be $66 million, up 5% from $63 million. Employment will remain essentially unchanged at approximately 6,000.

Coal accounts for roughly 50% of the value of the Province's mineral production. To August, coal production totalled 1.8 million tonnes (metric tons), down 1% from 1980. As a result of the lengthy strike at DEVCO, which started in July, production for the year will be down substantially, however. Production for the year may reach 2.2 million tonnes, compared to the 2.7 million tonnes in 1980.

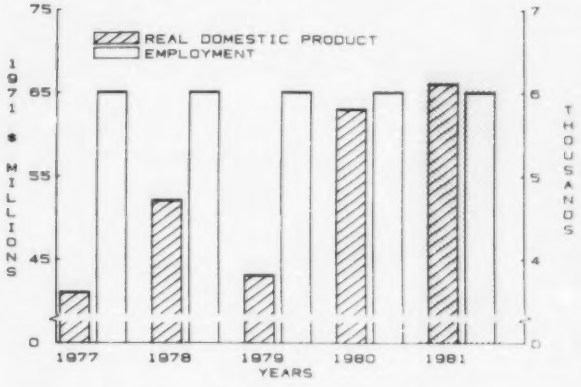
Base metal mining suffered a major setback with the closure of the only two operating mines. The Gays River lead-zinc mine shut down in August, followed by the Yava lead mine a month later. The closures were due to unresolved problems of mine flooding at both sites, disappointing ore grade at Gays River, and falling world market prices for lead and zinc. Approximately 280 jobs were lost with the shutdowns.

Output of other minerals and mineral products (gypsum, salt, cement, sand and gravel) will likely be similar to the 1980 levels. Towards the end of 1981, however, there was renewed weakness in the market for gypsum as housing construction in the United States continued to lag.

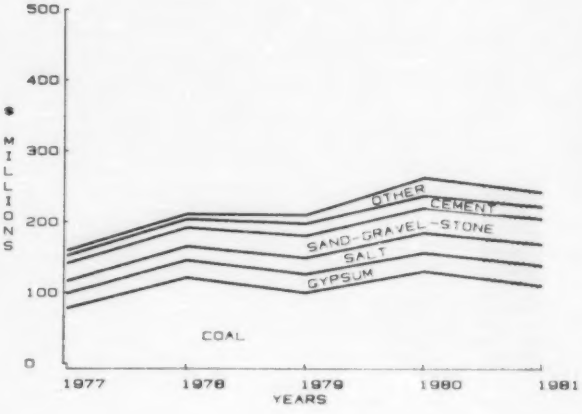
Overall, the value of mineral production in 1981 should be about $240 million. This will be 9% below the 1980 total of $263.3 million.

The bright spot in 1981 was oil and gas exploration, in particular the exploratory drilling at the Venture gas discovery off Sable Island. The total area under petroleum exploration license increased significantly. As of October 31st, these licenses covered 14.1 million hectares offshore and 2.6 million hectares onshore, for increases of 10% and

MINING
RDP AND EMPLOYMENT

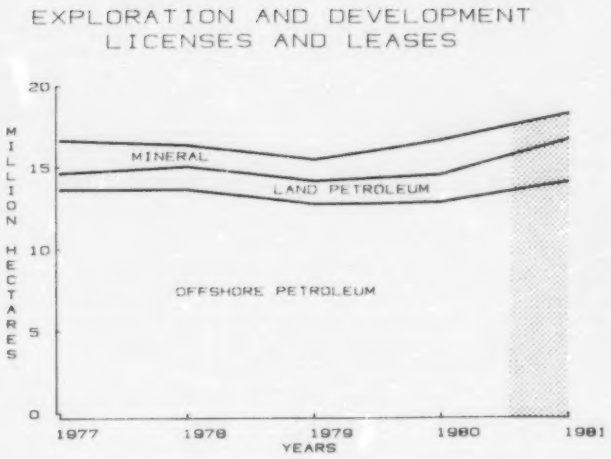


VALUE OF MINERAL PRODUCTS



47% respectively over the area licensed at year's end in 1980.

The area under mineral license and lease declined 26% over the first 10 months of the year, dropping to 1.6 million hectares from 2.1 million hectares. Reduced mining exploration budgets led to the relinquishing of low-potential claims. In addition the Provincial Government declared a moratorium on the issuing of new and renewal of uranium exploration licenses. (As Of October 31st, 170 uranium licenses were in effect.) Sagging metal prices in world markets also contributed to the decline in area under mineral license.



1982 Outlook

Strong Growth, Led By Recovery In Coal Production And Expanded Offshore Oil And Gas Exploration

Coal production will recover in 1982 and output will probably reach 3 million tonnes.

Underground coal mine development at Donkin and the expansion at Point Aconi will continue. In addition, a new mine at Springhill may go into operation late in 1982, and provide up to 200 jobs.

A second coal reclamation plant in Cape Breton is now under construction. Scheduled to go into production in April 1982, the New Victoria project will create 40 jobs.

In early 1982, Shell Canada Resources will decide whether to proceed to develop the tin prospect near East Kemptville. If the ore deposit is developed, the mine-mill complex should go into production late in 1983 and employ 250.

A further major development in the industry in 1982 will be the accelerated pace of offshore oil and gas exploration. Four drilling rigs will be operating off Nova Scotia's coast in 1982, compared to a single rig in 1981. Each rig operation will employ 70 to 100.

For the mining industry overall, real domestic product is forecast to increase 15% to $76 million, with some net gain in employment.

MANUFACTURING

1981 Review

Small Increase In Aggregate Manufacturing Output, Employment Declines

Real domestic product for manufacturing should increase marginally in 1981, growing by 1% to about $410 million, but average employment in the sector is expected to decline by 2,000 to 48,000.

Value of manufacturing shipments through July 1981 was $2.1 billion, 6.1% higher than during the same period a year ago. Growth in the value of shipments was encouraging for most sectors, with the exception of petroleum refining.

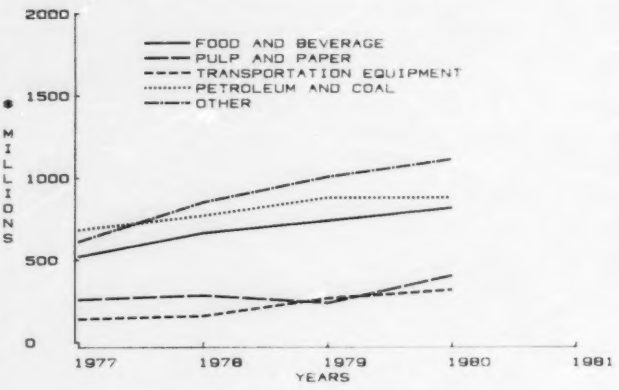
With the shutdown of the refinery at Point Tupper in the fall of 1980 and decline in use of petroleum products generally, the value of refinery shipments through July dropped to $441 million, a decrease of 16.5% compared to the same period in 1980. The decrease in these shipments is even more dramatic when it is considered that the price of petroleum refinery products increased during the year.

Increases in value of shipments for other manufacturers, however, generally outpaced the rises in product prices, indicating real gains in volume of output through July. If petroleum refining is omitted, growth in value of shipments was 13.9%, compared to an approximate 10% rise in manufacturers' output prices. After adjusting for the influence of probable price increases, shipments were up by about 2% for both the major food and beverage manufacturing component and the pulp and paper industries, and by about 8% in the important transportation component. Based on export figures, shipments of tires appear to have remained strong through to July.

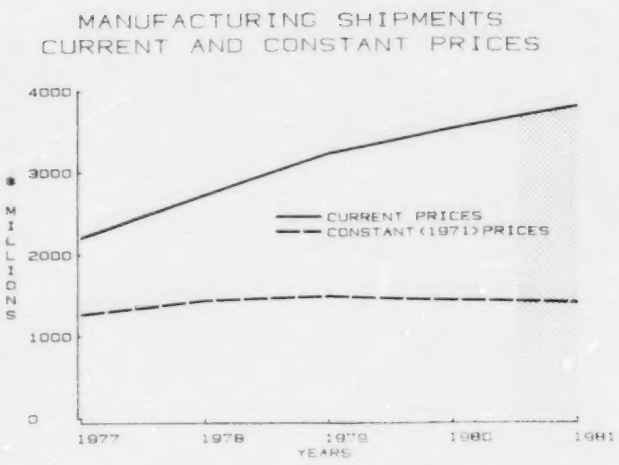
While statistical information is not available to quantify manufacturing activity after July, industry observers have noticed a levelling off, and in some industries a downturn, in manufacturing activity during the fall. For example, fish processing operations

MANUFACTURING
RDP AND EMPLOYMENT

MANUFACTURING SHIPMENTS
BY INDUSTRY GROUP



have been interrupted by a combination of lack of continuous fish supplies (due to rapid catch of quotas), high inventories, and low product prices; independent lumber mills are expected to close earlier than usual this year because of low orders; and the demand for and production of consumer paper products has shown a recent decline. Since mid-summer, significant layoffs have been reported at Masonite Canada (construction materials), Crossley Karastan (carpeting), Nova Scotia Textiles (clothing), Enheat (primary metal), and Halifax Industries Limited (ship repair). In addition, there are reports of staff reductions at numerous small manufacturing firms. The picture emerging from these observations and reports is that the growth in manufacturing activity in the Province has been arrested since the second or third quarter of this year. On balance, however, the conclusion that manufacturing will show a real growth rate of 1% for the year is warranted.



Information on employment through October indicates that manufacturing employment in Nova Scotia has decreased, averaging 48,000 in the first 10 months of 1981, compared to 50,000 over the same months in 1980. Furthermore, manufacturing employment in 1981 has been consistently lower than the preceding year for all months except for January and June. It is evident that manufacturing employment for the full year as well as the year-to-year change should closely follow these 10-month figures. The decrease in oil refinery activity has not involved a substantial decline in manufacturing employment. During the first half of 1981, the monthly average of manufacturing employment decreased slightly compared with the corresponding period of a year ago. Between July and October, however, average monthly employment has declined by 4,000 compared to the same months of 1980.

1982 Outlook

No Growth In Volume Of Manufacturing Output Or Employment Expected

Several long-range developments should improve the competitiveness and capacity of manufacturing in the Province. These include expansion at Michelin Tires Canada, modernization of SYSCO, federal-provincial assistance for increasing efficiency of pulp and paper producers, and reconstruction of the National Sea Products fish plant at Lockeport. In addition, a number of foreign and domestic manufacturers have expressed interest in

expanding or locating in the Province, especially in connection with ocean industries and offshore oil and gas operations. However, these developments and prospects will do little to augment manufacturing activity in the Province during 1982.

Generally, manufacturers in Canada are pessimistic because of declining orders for a broad range of products. This pessimism for 1982 is also shared by manufacturers in Nova Scotia. The expectations for manufacturing in the Province generally reflect the uncertainty about future economic conditions in Canada and the United States. However, a further concern of many Nova Scotia manufacturers (particularly in fish processing, pulp and paper, and transportation equipment) is that, with their dependence on export markets, any strengthening of the Canadian dollar will reduce their ability to compete internationally. At year end, an optimistic forecast for the manufacturing is that it will remain at its 1981 level. At best, manufacturing employment will remain stable.

CAPITAL INVESTMENT AND CONSTRUCTION

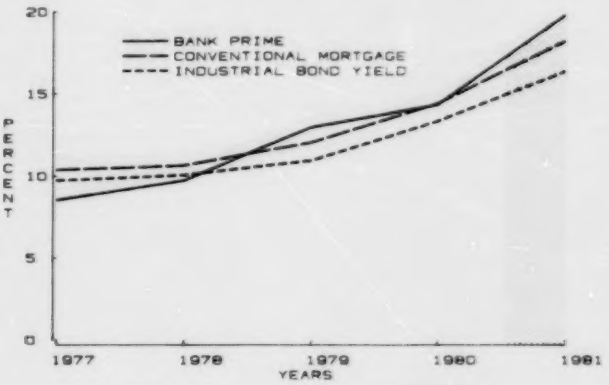
1981 Review

Advances Registered In Capital Investment; Housing Starts Up; Gains In Construction Real Domestic Product, But Construction Employment Down

The value of capital investment intentions in Nova Scotia for 1981 is $2.1 billion according to the Statistics Canada mid-year survey. If all intentions materialize, investment expenditures in 1981 will be a substantial 41% higher than 1980. After adjusting for inflation, this would represent approximately a 30% increase.

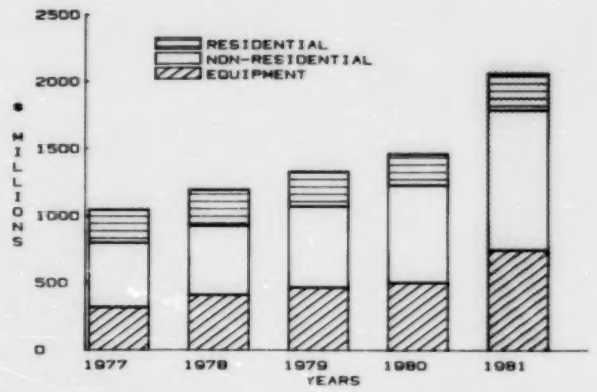
Although interest rates were significantly higher in 1981, residential investment intentions at $268.9 million represent a 16% increase over actual 1980 values. Housing starts to September totalled 2,729, up 9% over the same period in 1980. Dwelling unit starts for the year will probably reach 4,000. The modest recovery in housing starts was stimulated by a $20 million provincial mortgage subsidy plan on new houses. The plan effectively reduced mortgage rates to between 15% and 11%, depending on the income of the homeowner. The fund was fully subscribed, and assisted the financing of 518 new housing units.

INTEREST RATES IN CANADA
(ANNUAL AVERAGES)



In non-residential activity, capital investment intentions at $1.8 billion indicate a 46% increase over actual outlays in 1980. On a sector basis, investment performance in 1981 was uneven. Again based on 1981 intentions, the main sources of strength were in the combined forestry and mining sector, and in manufacturing, where expenditures should nearly double the 1980 level to $424.1 million and $282.4 million respectively. In these industries, the major projects were coal mine development at Point Aconi and Donkin and construction of Michelin's new tire plant at Waterville.

CAPITAL EXPENDITURE
BY COMPONENT



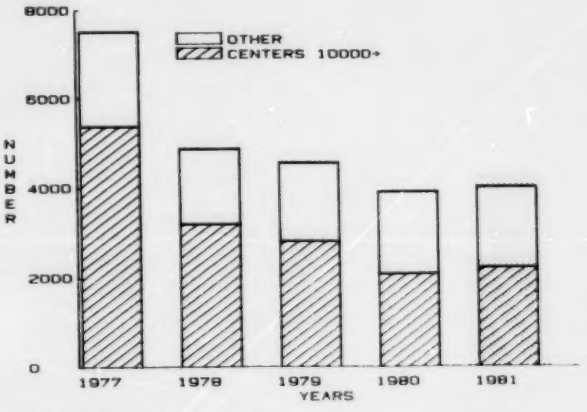
Smaller, but nonetheless substantial increases are expected to occur in the utilities and institutional and government sectors. Utilities capital expenditures are expected to rise by roughly 25% to $300 million. Contributing to this expansion are the ongoing construction at

the Annapolis Tidal Power Project and the start-up of construction of additional thermal capacity at Lingan. Intended capital expenditures of $410 million for institutional and government projects indicate an increase of about 25% over actual 1980 expenditures. These outlays encompass a wide variety of projects, and include the program for upgrading the Naval Dockyard at Halifax.

Real domestic product and employment figures for the construction sector indicate that capital investment realizations in 1981 will fall short of intentions. Whereas intentions indicate a 30% real increase over actual 1980 investment, construction sector real domestic product in 1981 is not expected to exceed $200 million, a 9% increase over 1980.

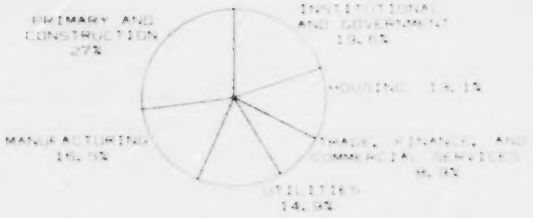
CONSTRUCTION
RDP AND EMPLOYMENT

NUMBER OF HOUSING STARTS



Moreover, construction employment declined. For the first 10 months of 1981, average monthly employment was an estimated 20,000, about 3,000 lower than the same period in 1980. However, reduction in the number of jobs was partly offset by a slight increase in average weekly hours per worker. Average monthly construction employment for 1981 is expected to be approximately 19,000.

INVESTMENT BY SECTOR 1981



1982 Outlook

No Growth In Capital Investment And Construction Sector Anticipated

Although interest rates fell from record-high levels in the fourth quarter of 1981, they are forecast to remain high throughout 1982. This, coupled with an outlook for sluggish

economic growth, means that capital investment and activity in the construction sector are expected to show no growth in 1982, and may even register a decline.

There are, however, a few new major capital projects that will be well underway in 1982. These include the Camp Hill Medical Centre at Halifax, to cost an estimated $110 million (1981 dollars) and scheduled for completion in 1988, and the Lingan III and IV thermal generating plants. These plants are expected to be completed in 1984 at a capital cost of approximately $325 million.

Construction work will continue on a number of capital programs, such as the Annapolis Tidal Power Project, Naval Dockyard redevelopment, DEVCO coal mine development, and Michelin's third tire plant. For the most part, however, capital investment and construction activity will be associated with several small projects scattered throughout the Province, each project costing $15 million or less.

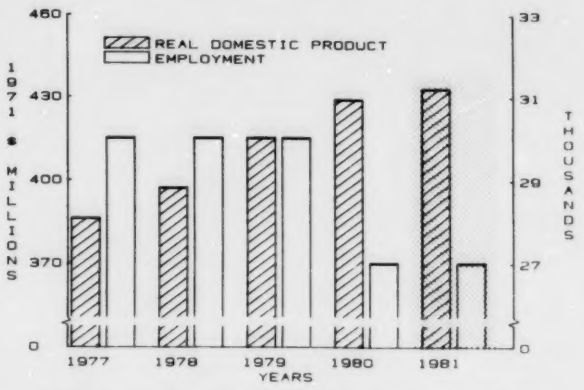
Recovery in residential construction is expected to stall in 1982. Mortgage rates are forecast to remain high and to discourage new housing construction. Under the rental incentives program announced in the November Federal Budget, assistance in the form of interest-free loans is expected to be granted for constructing a minimum of 450 apartment units in the Halifax-Dartmouth area. Except for this measure, there is nothing on the horizon to further stimulate housing activity in 1982.

TRANSPORTATION, COMMUNICATION AND UTILITIES

1981 Review

Transportation Shows Some Decreasing Trends, While Communications And Utilities Expect Marginal Increases

TRANSPORTATION COMMUNICATION UTILITIES
RDP AND EMPLOYMENT



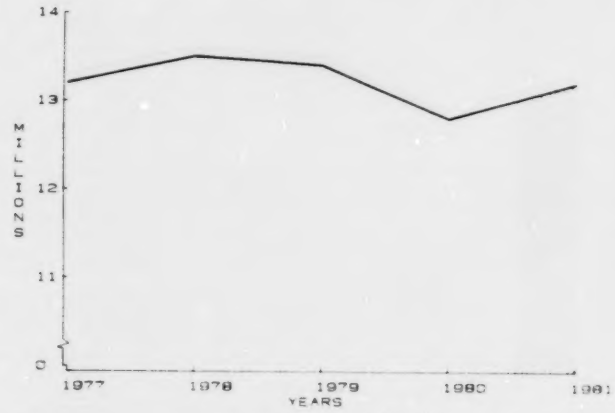
Real domestic product for the composite transportation, communication and utilities sector is expected to increase slightly by 1.0% in 1982 to $433 million. Average employment for the year should remain steady at 27,000, with a slight upturn in the summer months offsetting a drop early in the year.

Passenger Transportation

Available information suggests that the numbers of fare-paying passengers are showing mixed trends compared with recent years. Higher costs for fuel, other materials and labour are causing fares to increase. Fare increases, which have generally exceeded rises in incomes, have led to some reduction in discretionary travel.

Based on data from January to August, it is estimated that urban bus ridership will increase by 3.0% in 1981 over 1980 to a total of 13.2 million. However, this seemingly healthy increase masks the fact that 1980 data was abnormally low due to a Halifax Transit strike in July and August. If the effects of the strike are eliminated, bus ridership would probably have shown a decrease in 1981 of just under 1%.

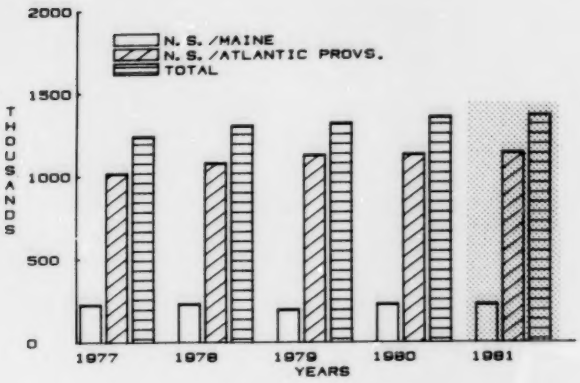
URBAN BUS TRANSIT PASSENGERS



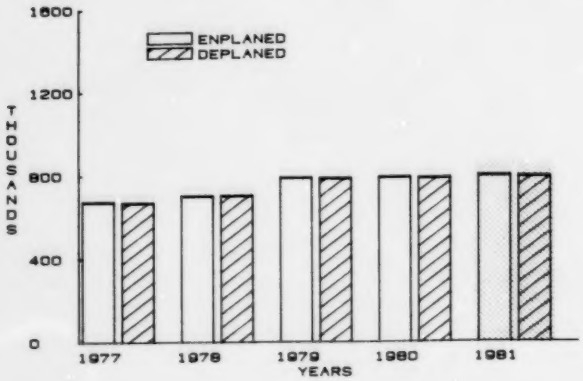
The numbers of long-distance ferry passengers using routes between Nova Scotia and Maine, New Brunswick and Newfoundland showed small increases of 0.5%, 1.5% and 2.5% respectively for the year to date, while the Nova Scotia - Prince Edward Island route showed no change from 1980.

Latest data on the number of passengers enplaning and deplaning at Halifax International Airport showed no growth for 1980 over 1979, compared with a healthy 12% increase for the previous year. However, the addition of CP Air services to Montreal and Eastern Provincial Airways flights to Toronto may encourage some increase in passenger totals for 1981.

LONGER DISTANCE
FERRY PASSENGERS



PASSENGER TRAFFIC
HALIFAX INTERNATIONAL AIRPORT



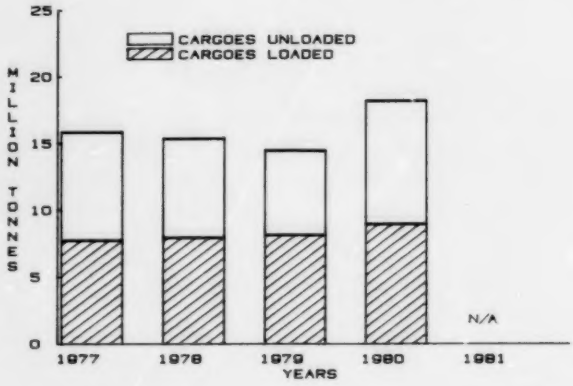
Freight Transportation

The situation for freight transport is somewhat unclear, since no data are available for 1981. The volume of international water-borne cargoes for 1980 is estimated to have risen by 26% over 1979 to just over 18 million tonnes (metric tons). However, the total water-borne cargoes (international and coastal) for the Port of Halifax dropped by 5.3% to 13.6 million tonnes. Since Halifax usually represents about two-thirds of the provincial total, coastal cargoes have probably decreased.

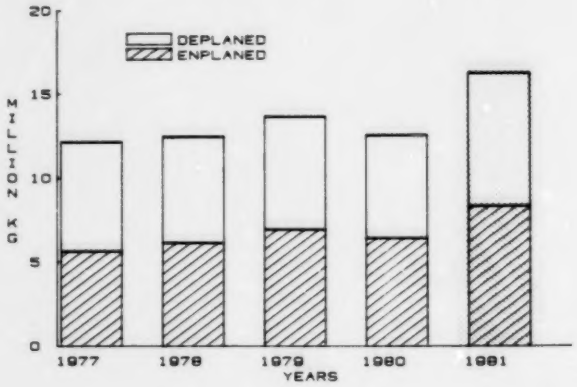
The Port of Halifax cargoes have shown a further slight decrease of 3.1% for the period January to August 1981 over the same time span in 1980. In light of the general world recession in shipping, this is viewed as being a fairly satisfactory situation. However, a further reduction in final figures for the year is likely, due to the withdrawal of most of Dart Containerline's activities from the port in August.

The latest data on railway freight for 1979 showed a decrease of 4.7% to 23.3 million tonnes from the previous year. The volume of railway freight is closely tied to major port activity, which is showing a declining trend in 1981.

VOLUME OF
INTERNATIONAL SHIPPING CARGOES



VOLUME OF AIR FREIGHT
HALIFAX INTERNATIONAL AIRPORT



The volume of air freight through Halifax International Airport showed a drop of 7.8% from 1979 to 1980, to a total of 12.5 million kilograms. However, the 1981 figures are likely to rise by about 30%, for two different reasons. First, high interest rates and storage costs have encouraged companies to maintain smaller inventories, flying in their requirements as needed. Secondly, the opening up of new markets has led to an increase in fresh seafood shipments, both inside and outside Canada.

The 19.6% increase in revenues of major truck carriers in 1979, to $92 million, suggests growing truck freight volume, although some of the revenue growth was due to higher freight rates. In February 1981, 10 out of 15 CN Express offices in Atlantic Canada were closed, leading to some loss of employment. Operations were consolidated in the larger centres.

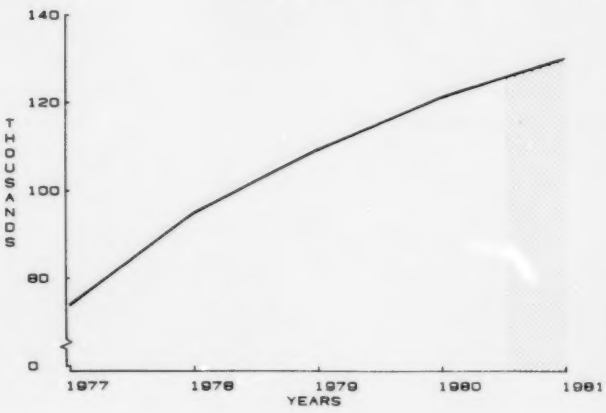
Communications and Utilities

Communications activities show some increase, except in the case of the Post Office, where the six-week strike in July and August is likely to have caused a drop in throughput volume for the year. However, a considerable portion of any reduction in Post Office volume was taken up by private courier services and telephone communication.

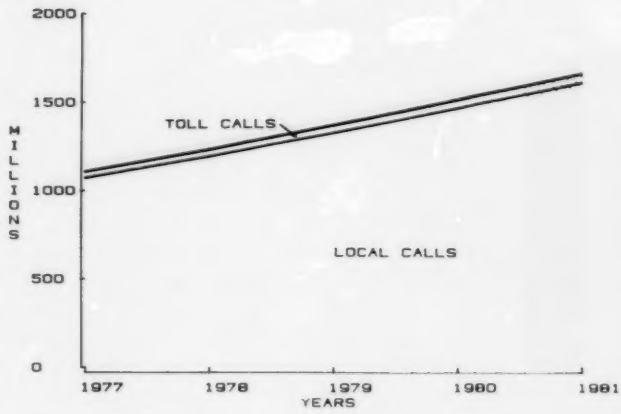
Some extension of cable television service has taken place during 1981, although the number of systems in operation remains constant at 19. The number of subscribers is estimated to have increased by 7% over 1980 to 130,000. Several new radio services have been added during the year, notably the widening of CBC coverage within the Province.

An estimated 23,000 additional telephones will be installed in Nova Scotia homes and businesses in 1981, an increase of about 5% in the number of phones in the system. The volume of toll (long-distance) calls is expected to rise by about 10% to just over 52 million.

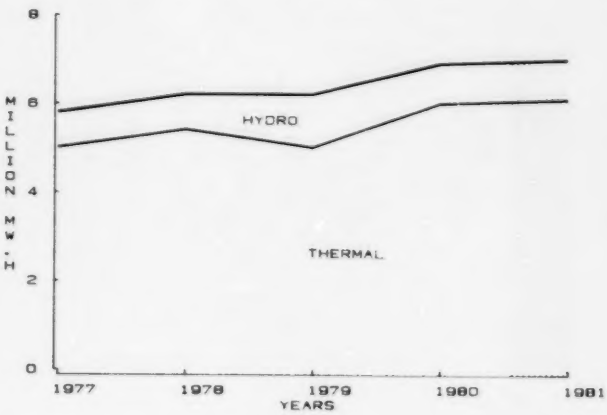
CABLE TELEVISION SUBSCRIBERS



TELEPHONE CALLS PLACED



ELECTRICITY GENERATED



Generation of electricity for 1981 is expected to show a marginal rise of about 1.5% over 1980 to 7.0 million megawatt hours by year end. The lengthy coal strike caused a drop in power demand by the coal mines on the one hand, and on the other hand the shortage of coal led to the purchase of power from New Brunswick, in lieu of using expensive oil to generate electricity.

1982 Outlook

Downward Trends Expected In Transportation, But Communications And Utilities Should Show Some Expansion And Modest Growth

The prospects for the transportation sector in 1982 are not very bright, due to the continually increasing costs of fuel, labour and capital, and the generally poor world-wide economic climate. The year is likely to show the effects of a large number of changes in the transportation sector.

In the area of passenger transport, the loss of the Atlantic Limited, one of the two daily rail services between Halifax and Montreal, will be felt in reduced employment, which will only be partially made up by an increase in air and bus travel. Changes taking place in air transport include the proposal for Air Maritime to assume the turbo-prop services in the Maritime provinces of Eastern Provincial Airways (EPA). Following this corporate reorganization, EPA will continue to handle jet services. Also, as of December 1981, CP Air offers a weekly service to Amsterdam. IMP Aviation introduced a thrice-weekly commuter service between Halifax and Yarmouth in November 1981. Air Canada will raise fares 9.5% in January 1982, with a further 2% increase in March 1982. Regarding ferry transport, Lion Ferries has announced the purchase of a vessel to replace the Caribe on the Yarmouth-Portland route. CN Marine will reduce its ferry service between North Sydney and Argentia for 1982; however, most Newfoundland traffic uses the North Sydney - Port aux Basques route. Fare increases averaging 15% for 1982 have also been announced by CN Marine. The cruise business, which increased considerably in 1981, is expected to continue at about the same level.

Freight transport will be affected by changes in marine shipping, principally due to the loss of Dart Containerline and Trans Freight Lines from Halifax Containerport. However, on the positive side, the new Fairview Cove container pier will be fully operational in 1982, with Polish Ocean Lines as its main customer. Air freight may again show some expansion. Cut-backs proposed for the South Shore rail line may reduce rail freight volume. Truck transport will probably show a slight increase, particularly in the area of "piggy-back" truck/rail intermodal transport.

The 1982 outlook for communications and utilities is brighter than for transportation, with modest growth expected.

The changeover of the Post Office to a Crown Corporation should eventually lead to some improvements in efficiency. Some expansion in cable television activity is anticipated, with the availability of the Canadian Satellite Communications (Cancom) package to serve remote and under-serviced areas by satellite reception. Applications for this service and for a third local television station were heard in late November 1981. The advent of pay television is a further possibility for 1982, since two regional applications were among those received by the CRTC at its hearings. Further improvements in telephone service have been planned for 1982, including the addition of Extended Area Service to several areas around Sydney. Nova Scotia Power Corporation envisages a growth of 3.5% in electricity sales for the financial year ending in March 1983.

TRADE

1981 Review

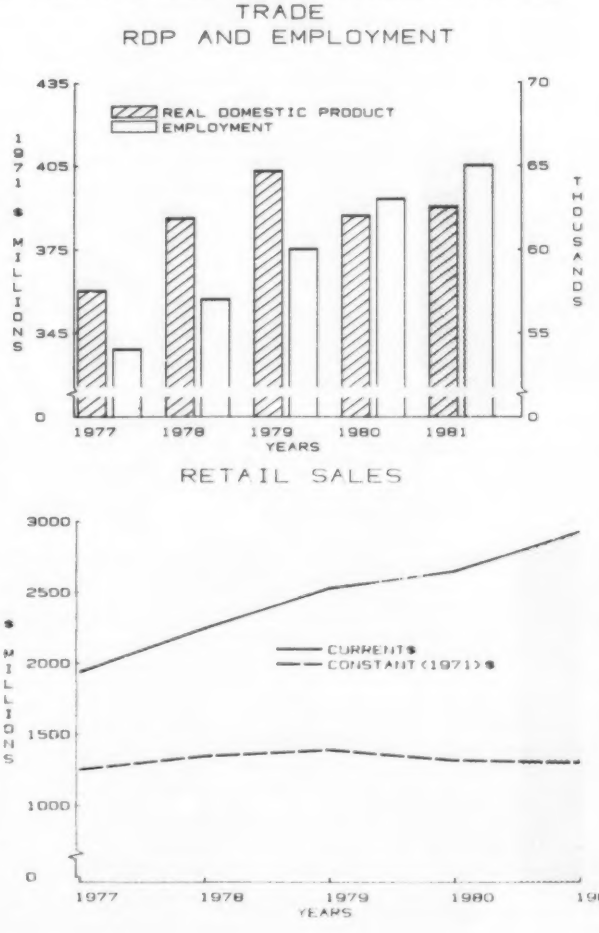
Real Domestic Product Is Expected To Show Marginal Growth, Employment To Rise By 2,000, And The Real Value Of Retail Sales To Decline

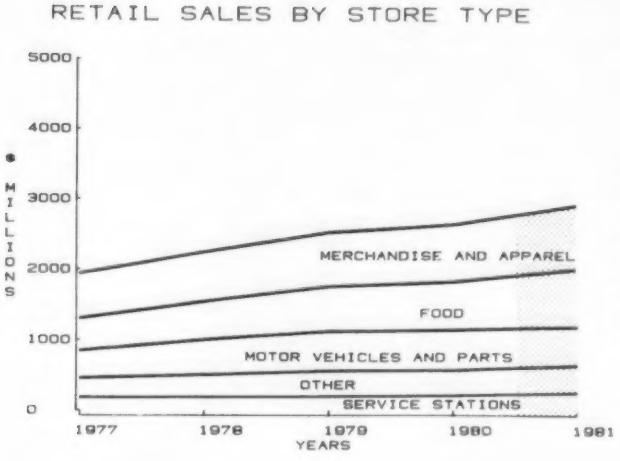
Real domestic product for wholesale and retail trade is expected to advance slightly to $390 million in 1981. While this represents a $3 million increase over 1980, the sector has yet to regain its 1979 level of $403 million. Employment in trade is showing greater gains, rising by 3.2% (2,000 persons) to 65,000. Part-time employment probably accounts for most of this increase.

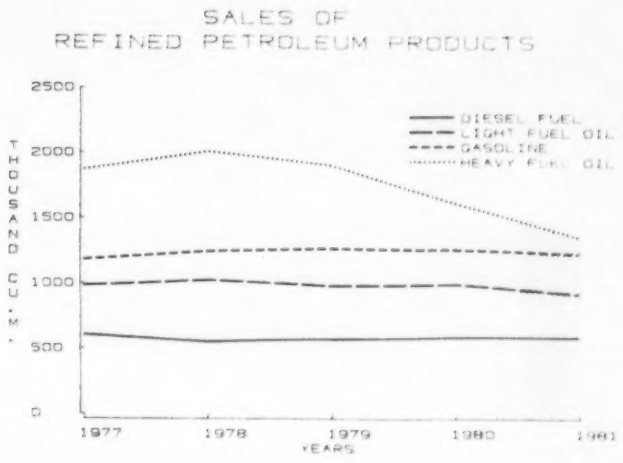
Retail sales rose 10.5% to $1.8 billion to the end of August 1981. Sales are projected to maintain this growth rate to the end of 1981, leading to a yearly sales total of $2.9 billion. After adjustment for an anticipated 11.9% rise in the retail price index, the real value of sales declined by 1.4%.

Data for the first eight months of 1981 was examined for the five categories of stores. Motor vehicle dealers and auto accessory stores, which account for 21% of total retail sales, registered a decline of 3.7% in the current dollar value of sales. The number of new units sold in the January-August 1981 period amounted to 27,683 vehicles, down 9.2% from the same period in 1980. Commercial vehicle sales were off 1,373 (-18.7%) with 5,959 units sold while passenger car sales were down 1,438 (-6.2%) to 21,724 units. Sales by used motor vehicle dealers recorded gains of 11.4% in current dollar terms, while automobile accessory stores experienced an increase of 27.4% in their sales.

Service station sales, which account for 9% of all retail sales receipts, grew by 19.6% in current terms. As the stock of cars on the road ages, more repairs are required to maintain these vehicles in running condition. However, the amount of gasoline sold declined by 2.7% (to 925,102 cubic metres to September 1981). Increases in the price of gasoline in the order of 35% could well mean that the real value of sales by service stations has actually declined.







The merchandise and apparel classification covers a broad range of consumer goods and accounts for almost 30% of total retail sales. Although sales in this category have risen by 12.1%, individual components displayed markedly different trends. Current dollar sales by men's clothing stores were down by 16.6% while family clothing stores recorded increases of 16.2%. Sales by jewellery stores grew by 18.2%, while furniture, T.V., radio and appliance stores registered sales declines of 6.6%.

Food stores, accounting for a further 28% of total retail sales, showed an impressive 18.3% gain in the dollar value of sales. During the January to August 1981 period, the food component of the consumer price index rose by 14.5% over the same eight months of 1980, implying a real growth of 3.8% in sales.

Other stores, a category which encompasses jewellery repair operations, liquor stores, second-hand clothing outlets, etc., account for the remaining 12% of all sales. Growth here was generally sluggish at 7.4% in current dollar terms.

Sales of fuel oil to industry and to home consumers are recorded as wholesale rather than retail transactions. Figures available to the end of September 1981 indicate that consumption of light fuel oil (used for residential heating requirements) fell to 641,400 cubic metres, a decline of 7.6% over the same period in 1980. As some industries, particularly the Nova Scotia Power Corporation, switch to alternate fuels, the amount of heavy oil consumed declines. Approximately 1.1 million cubic metres of heavy fuel oil was sold during the first nine months of 1981, a decline of 16% over the 1.3 million cubic metres sold during the same period in 1980. Diesel oil sales stayed virtually static at 424,685 cubic metres.

1982 Outlook

Continued Sluggish Growth, Consistent With A Weak Overall Economic Climate

Although personal income per capita is expected to grow by 2.5% in real terms in 1982, this growth is not expected to translate into a particularly healthy retail sector. Sales of household furnishings and appliances are to some extent dependent on the construction of new housing units, which, if high interest rates continue, will not provide much stimulus. Sales of durable goods of all types also tend to suffer during uncertain economic conditions, as consumers delay expenditures on big ticket items. The second quarter 1981 report on Consumer Attitudes prepared by the Conference Board indicates that consumer confidence has eroded, and that purchases of major items are being postponed. It is expected that high interest rates will encourage consumers to channel a large part of any real increases in income into savings and reduction of personal debt.

Sales of new motor vehicles may pick up in 1982 if interest rates drop. As energy prices climb, the smaller more fuel efficient cars are again expected to increase in popularity.

FINANCE, INSURANCE AND REAL ESTATE

1981 Review

High Interest Rates Dampen Growth In Finance and Real Estate; Insurance Shows Continued Growth

Real domestic product for the composite finance, insurance and real estate sector is expected to increase by 3% in 1981, to $402 million. Average employment for the year is estimated at 15,000, a decrease of 1,000 (-6%).

Finance

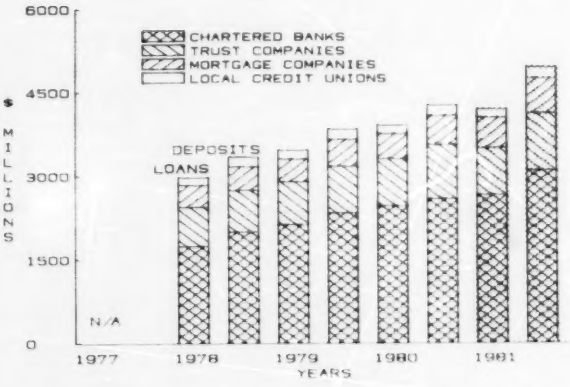
The lending side of the finance component has experienced less growth than in recent years as a result of the very high interest rates during the year. Total loans of major financial institutions in the Province are estimated to increase by 7.1% to $4.2 billion. Corresponding total deposits, on the other hand, are expected to increase much faster, at 15.9%, to $4.9 billion. The spread between interest rates charged to borrowers and paid to depositors has increased significantly during the year. For example, the difference in interest rates between new conventional mortgages and trust company new five-year term deposits widened to an average of 2.55% for the first nine months of 1981, compared with 1.91% for the same period in 1980.

In 1980, individuals received two-thirds of the value of all loans extended by major financial institutions: residential mortgages accounted for 29% of the value of loans and personal loans for 37%.

Chartered banks and trust companies accounted for 62% and 22% of banking activity in the Province for 1980, while mortgage companies and local credit unions were responsible for 12% and 4% respectively. In recent years, there has been a gradual increase in the proportion of banking activity done by chartered banks and trust companies.

FINANCE INSURANCE AND REAL ESTATE
RDP AND EMPLOYMENT

LOANS AND DEPOSITS OF
FINANCIAL INSTITUTIONS



Insurance

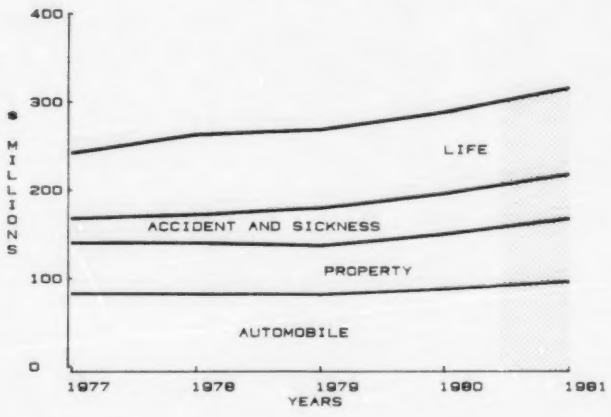
Preliminary estimates of aggregate insurance premiums paid by Nova Scotians in 1981 place their value at $314 million, up 10% from 1980. Premium rates for property and automobile insurance, which represent about 50% of total insurance premiums, rose considerably in 1980 and again in 1981, following a period of severe competition and low premium rates which led to high loss ratios (claims/premiums). Premium revenues for these categories are expected to have risen by 15% (property) and 10% (automobile). Accident and sickness premiums (16% total insurance premiums) are estimated to have shown a normal growth rate of about 8%. Life insurance premiums (ordinary and group) represent nearly one-third of the total. Both ordinary and group premiums are expected to have risen at moderate rates of 7% and 5% respectively.

Real Estate

There has been a moderate increase in real estate activity, in spite of the high interest rates prevailing for the greater part of the year. Statistics available on Multiple Listing Service (MLS) transactions indicate a growth rate of approximately 8% in the number of units (residential and non-residential) changing hands in 1981 compared with 1980. The total value of units sold through the MLS System is expected to be about $144 million for the year.

The average value per unit sold increased by 12% to $51,800, compared with an increase of 4% for 1980.

INSURANCE PREMIUMS



1982 Outlook

Lower Interest Rates Should Improve Outlook For Finance and Real Estate, Provided Demand For Loans And Homes Is Not Reduced By Downturn In Economy; Insurance Projected To Show Increased Growth

The trend towards lower interest rates experienced at the end of 1981 points to an improvement in the outlook for finance and real estate for the following year. On the other hand, the disquieting signs of a downturn in the economy could lead to a dropping off in the demand for loans and mortgages as people postpone large-ticket purchases until an improvement in general economic conditions occurs.

The outlook for the insurance component of the sector is for a rapid increase (about 20%) in property and automobile insurance premiums. Accident and sickness and life insurance premiums are forecast to continue their moderate growth at about 8% in 1982.

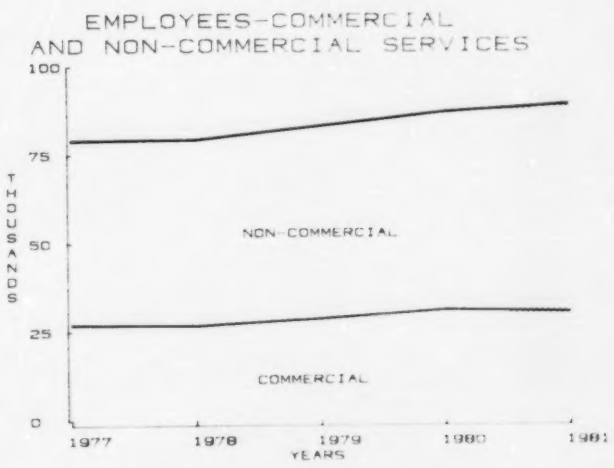
COMMUNITY, BUSINESS AND PERSONAL SERVICES

1981 Review

Growth In Real Domestic Product Should Reach 2%, While Service Employment Is Expected To Rise By 5%

Real domestic product in the services sector for 1981 is expected to reach $537 million, up $11 million from the previous year. While this increase represents a 2.1% gain, the advances in employment are even more substantial. Employment is expected to rise by 5%, from 97,000 in 1980 to 102,000 in 1981.

The service sector is comprised of two main groupings -- commercial and non-commercial services. Commercial services encompass health services (except hospitals), motion picture and recreational services, services to business management, accommodation and food services, and personal services (except those in private households). Non-commercial services include education, hospitals, welfare organizations, religious organizations and private households.



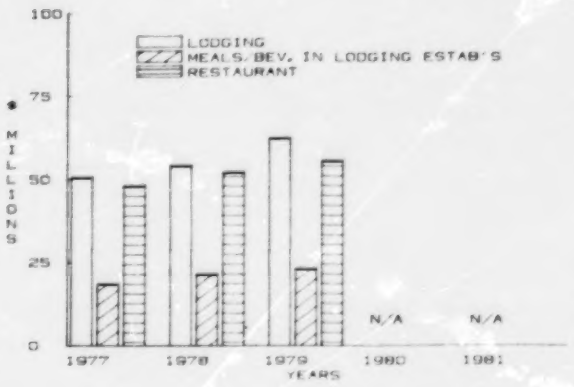
Extrapolating from Statistics Canada's Employment and Payrolls Survey, the number of employees in commercial and non-commercial services combined should reach 88,900 in 1981, up 2,200 (2.5%) over 1980. The large discrepancy between the figures based on the establishment survey and the 102,000 estimated by the Labour Force Survey is due primarily to the exclusion of self-employed persons from the establishment survey. Self-employed persons constitute an important source of employment in commercial services.

Commercial Services

Many of the commercial services are oriented towards the traveller. Unfortunately, however, data on accommodation and restaurant sales (the two largest categories of traveller expenditures) are only available to 1979. These figures indicate growth of 10% in current dollars over 1978 (or 1.5% in real terms). When the results are disaggregated, though, it is apparent that the growth

component was the accommodation sector, where revenues rose 15% in 1979 over 1978. In contrast, sales of meals at restaurants and in hotels increased by 6.7% over the 1978 figures.

RECEIPTS OF RESTAURANTS AND ACCOMMODATION ESTABLISHMENTS



Figures relating to the number of travellers coming to Nova Scotia are somewhat more recent. In 1980 an estimated 1.2 million persons visited Nova Scotia during the period June 1st to October 31st, representing a slight decline from 1979. Although other modes of transportation have become more popular over the past few years as energy costs have risen, 83% of travellers still arrived by car.

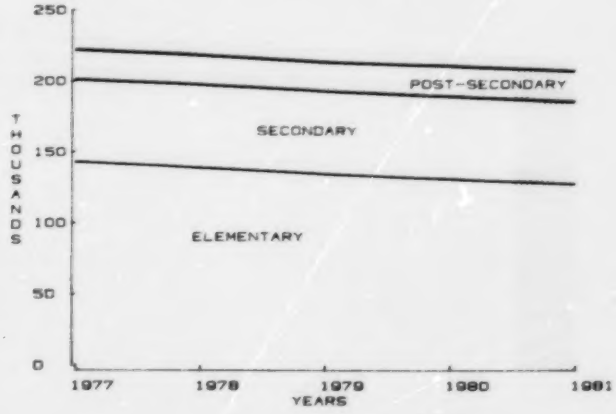
While a complete count of visitors to the Province in 1981 is not yet available, reports indicate that 99,000 persons from the United States and abroad entered Canada via Nova Scotia. As the figure for the comparable period in 1980 was 93,000, a gain of 6.5% in the number of foreign visitors entering via Nova Scotia is evident.

From June through September 1981, 350,900 vehicles entered Nova Scotia from the United States and Canada. The shift towards modes of travel other than private automobiles is evident from the fact that American automobile traffic to the Province grew by 4% in the June to September period, while bus travel rose by 17% in the same period.

Non-Commercial Services

The two large components of the non-commercial segment of this sector -- health and education -- are closely related to the government sector. Teachers, for example, negotiate the terms of their contract with the provincial government which exercises considerable control via funding over the number of teachers that each school board can hire. Government involvement in the health field is also widespread. Hospitals are owned by federal, provincial and local governments as well as by private organizations. Although the relationship may not be quite as direct as with education, the amount of funding available to the health institutions affects their levels of staffing.

FULL-TIME SCHOOL ENROLLMENT



Employment of full-time faculty in schools and universities is estimated to have remained relatively stable over the past five years at 13,000. School enrollment at the elementary and secondary levels, in contrast, has declined. For the 1981-82 academic year, 184,790 students were enrolled, down 3,650 from the number of students in full-time attendance in 1980-81. This decline reflects changing demographic trends, with fewer persons in the younger age groups. Full-time enrollment at the post-secondary level has risen slightly over the same period from 21,360 in 1980-81 to 21,570 in 1981-82.

In the health sector, latest available data relate to the 1979-80 fiscal year. The number of patient days in public and allied special hospitals (excluding those under federal jurisdiction) continues to rise. A total of 1.5 million patient days were recorded in 1979-80, accounting for an occupancy rate of 72.6%. This represents a growth of 4.3% over the number of patient days in 1978-79.

Information relating to hospital personnel is even less current. For the 1978-79 fiscal year, a total of 13,500 persons were employed in hospitals in the Province (excluding doctors not paid a salary). Of that total, 11,700 were full-time workers and 1,800 were part-time employees. These figures have remained virtually unchanged from 1977-78.

1982 Outlook

Weaknesses Evident In The Economy Will Impede Real Growth In Services

Forecasts for economic growth in the service sector in 1982 are not optimistic. Slower growth in incomes, both at home and abroad, will moderate the discretionary expenditure on commercial services, such as vacations and meals away from home. Little or no gain is expected in the accommodation and restaurant industries.

Cuts in federal government transfers to provinces to fund post-secondary education and health care will dampen the ability of the non-commercial component to produce any real growth. Falling kindergarten enrollment heralds further declines in the number of students enrolled at the primary and secondary levels.

PUBLIC ADMINISTRATION AND DEFENCE

1981 Review

Growth In Real Domestic Product And Employment Expected To Be Modest

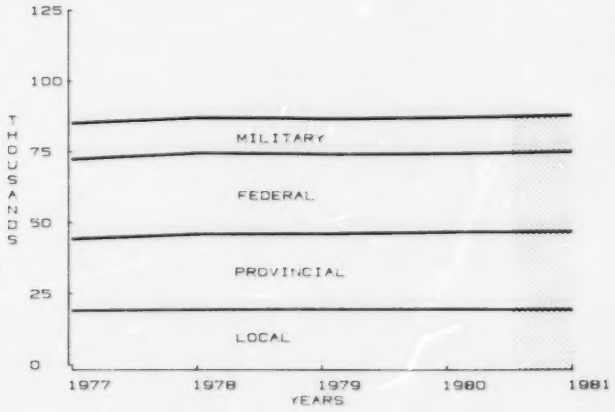
Real domestic product in the public administration and defence sector is expected to grow by 1.6% to $447 million by the end of 1981, up from $440 million in 1980.

Statistics Canada's Labour Force Survey to October indicates civilian employment for government administrative functions, plus military personnel, of 45,000 in 1981 (rounded to the nearest thousand), representing at most a 1,000 gain over 1980 figures.

Government administration and military activities represent about 45% of total employment by governments. According to convention, however, an almost equal proportion (42% of employees) is classified by function to other sectors. For example, the major health services and education components are allocated to the service sector, while the Post Office is allocated to the transportation, communications and utilities sector. In addition, the economic activity of various government enterprises such as Air Canada, Nova Scotia Power Corporation and Sydney Steel Corporation is classified according to the industrial group to which each belongs. These enterprises account for 13% of all government employees.

PUBLIC ADMINISTRATION AND DEFENCE
RDP AND EMPLOYMENT

PUPLIC SECTOR EMPLOYMENT



It is estimated that total employment in Nova Scotia by governments and government enterprises will reach 87,400 in 1981, an increase of 600 persons. Federal employees are expected to account for 28,100 of this total, 12,800 are military personnel, 27,400 are provincial employees and 19,200 are local government employees. School boards, teachers and school support staff as well as urban transit employees account for approximately 13,000 (68%) of total local government employment.

1982 Outlook

Continued Low Growth Is Anticipated

Although economic conditions in the latter part of 1981 do not appear particularly promising, this sector has tended to be less sensitive than some others to changes in the business cycle. The ability of governments (and most particularly the Federal Government) to operate for long periods of time in a deficit position, allows for greater stability in employment and output.

However, governments, particularly at the provincial and local levels, are finding it difficult to raise additional revenues. As a result, continued efforts to restrain and cut back expenditures would indicate that new employment opportunities will be limited.

APPENDIX

NOVA SCOTIA ECONOMIC INDICATORS

(Year to Date)

INDICATORS:	1979	1980	% Change 1980/79	1981	% Change 1981/80
PEOPLE -					
Population (at July 1)	848,200	853,300	0.6	858,000	0.6
WORK FORCE - (Oct.)					
Labour Force (000's)	355	369	3.9	365	-1.1
Employment (000's)	323	336	4.0	328	-2.4
Goods Producing Industries (000's)	96	100	4.2	91	-9.0
Service Producing Industries (000's)	227	236	4.0	237	0.4
Unemployment (000's)	32	33	3.1	37	12.1
Unemployment Rate, Actual (%)	9.0	8.8	-2.2	10.2	15.9
Unemployment Rate, Seasonally Adjusted (%)	10.2	9.8	-3.9	11.0	12.2
Halifax Metro, Unemployment Rate, Actual (%)	8.7	8.4	-3.4	8.2	-2.4
COMMODITY OUTPUT -					
Farm Cash Income ($'000 to August)	113,062	125,174	10.7	136,949	9.4
Value of Fish Landings ($'000 to Sept.)	170,180	153,532	-9.8	186,381	21.4
Domestic Pulpwood Production (000's cu. meters to August)	1,990.6	2,048.7	2.9	2,120.2	3.5
Lumber Production (000's bd. ft. to August)	139,933	127,727	-8.7	125,436	-1.8
Coal Production (000's tonnes to August)	1,567.5	1,859.3	18.6	1,844.8	-0.8
Power Generation (MW.h to August)	3,996,443	4,520,646	13.1	4,467,833	-1.2
Value of Manufacturing Shipments ($ Millions, to July)	1,808.5	2,011.5	11.2	2,133.4	6.1
Nova Scotia Laden Exports ($'000 to June)	446,334	532,987	19.4	607,828	14.0

	1979	1980	% Change 1980/79	1981	% Change 1981/80
CAPITAL INVESTMENT -					
Population (at July 1)	1,322.9	1,456.8[P]	10.1	2,054.9[i]	41.1
CONSTRUCTION					
Value of Construction Work ($ Millions, to December)	1079.8	1202.0[P]	11.3	1582.5[i]	31.7
Building Permits, Total Value, All Types of Construction ($'000 to Aug.)	245,654	188,600	-23.2	249,600	32.3
Housing Starts in Centres of 10,000 and Over, (Number to Sept.)	2,003	1,210	-39.7	1,501	24.0
INCOME -					
Personal Income Per Capita ($)[1]	7,142	7,845	9.8	8,860	12.9
Total Wages & Salaries ($Million, to July)	2,010.7	2,205.9	9.7	2,425.7	10.0
Average Weekly Wages & Salaries Industrial Composite ($, at July)	248.76	267.74	7.6	296.56	10.8
SPENDING - ($'000 to Aug.)					
Retail Trade	1,627,236	1,673,167	2.8	1,848,753	10.5
Grocery and Combination Stores	404,901	433,707	7.1	513,265	18.3
Motor Vehicle Dealers	361,423	356,034	-1.5	334,824	-6.0
Department Stores	118,215	124,406	5.2	140,258	12.7
CONSUMER PRICE INDEX - 1971 = 100 - HALIFAX (Oct.)					
All Items	191.7	214.6	11.9	239.0	11.4
Food	234.2	271.9	16.1	295.0	8.5
Housing	189.1	207.1	9.5	235.2	13.6

[1] Estimated by the Conference Board of Canada

P Preliminary
i Intentions

SOURCE: Statistics Canada Publications